

Mr. W. Oliver
Madras

East India Company

(4)

P A P E R S

A N D

P R O C E E D I N G S

O F T H E

H O N O R A B L E C O U R T O F D I R E C T O R S

R E L A T I V E T O T H E

O R D E R S t o M A D R A S o f 20th J A N U A R Y, 1796,

F O R

P A Y M E N T O F T H E P R I V A T E D E B T S

O F T H E

N A B O B O F A R C O T.

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H. A. P. R. S.

PROCEEDINGS

HONORABLE COURT OF DIRECTORS



Orders to Managers of said January 1866

PAIDMENT OF THE PRIVATE DEBTS

LABOR OF ALCOT

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AT A GENERAL COURT
OF THE UNITED COMPANY OF MERCHANTS OF ENGLAND
TRADING TO THE EAST-INDIES,

Held at their HOUSE in LEADENHALL STREET,

On Wednesday the 22d of March, 1797, at 12 o'Clock at Noon.

On a Motion being made, it was

ORDERED,

THAT all Papers and Proceedings relative to the Payment of the Nabob of Arcot's private Debt, to the Amount of £ 1,200,000, be printed for the Information of the Proprietors.

AT A GENERAL COURT

OF THE UNITED COMPANY OF MERCHANTS OF LONDON
Held at the Hall of the Company

in the City of London, at the Guildhall

On Wednesday the 2nd of March, 1797, at 12 o'clock at Noon



On a Motion made by

THAT the said Company do give and pay to the said
of Account of the said Company, be granted
on the Information of the said

24th George 3. Cap. 25. Sect. 37.

AND whereas very large sums of money are claimed to be due to British subjects by the Nabob of Arcot, in the recovery whereof it is expedient that such assistance should be given them as shall be consistent with the rights of the said United Company, the security of the creditors, and the honor and dignity of the said Nabob; Be it enacted, That the Court of Directors of the said Company shall, as soon as may be, take into consideration the origin and justice of the said demands, as far as the materials they are in possession of shall enable them to do; and that they shall give such orders to their Presidencies and Servants abroad for completing the investigation thereof, as the nature of the case shall require; and for establishing, in concert with the said Nabob, such fund for the discharge of those debts which shall appear to be justly due, according to their respective claims of priority, as shall be consistent with the rights of the said United Company, the security of the Creditors, and the honor and dignity of the said Nabob.

EXTRACT General Letter to Madras, 9th December, 1784.

Par. 26. WE repose entire confidence in His Highness, that actuated by the same motives of liberality and feelings of old friendship and alliance, he will cheerfully and instantly accede to such arrangements as are necessary to be adopted for our common safety, and for preserving the respective rights and interests we enjoy in the Carnatic. The following are the heads and principles of such an arrangement, as we are decisively of opinion must be adopted for these purposes, viz.

27. That for making a provision for discharging the Nabob's just debts to the Company and individuals (for the payment of which His Highness hath so frequently expressed the greatest solicitude) the Nabob shall give such security for the punctual payment, by instalments, into the Company's treasury, of twelve lacks of pagodas per annum (as voluntarily proposed by His Highness) until those debts, with interest,

shall be discharged ; and shall also consent, that the equitable provision lately made by the British Legislature, for the liquidation of the said debts, and such resolutions and determinations as we shall hereafter make, under the authority of that provision, for the liquidation and adjustment of those debts, *bona fide* incurred, shall be carried into full force and effect.

28. Although, from the great confidence we repose in the honor and integrity of the Nabob, and from an earnest desire not to subject him to any embarrassment on this occasion, we have not proposed any specific assignment of territory or revenue for securing the payments aforesaid, we nevertheless think it our duty, as well to the private Creditors, whose interests in this respect have been so solemnly entrusted to us by the late Act of Parliament, as from regard to the debt due to the Company, to insist on a declaration, that, in the event of the failure of the security proposed, or in default of payment of the instalments, at the stipulated periods, we reserve to ourselves full right to demand of the Nabob such additional security, by assignments on his country, as shall be effectual for answering the purposes of the agreement.

29. After having conciliated the mind of the Nabob to this measure, and adjusted the particulars, you are to carry the same into execution by a formal deed between His Highness and the Company, according to the tenor of these instructions.

30. As the administration of the British interest and connexions in India has, in some respects, assumed a new shape by the late Act of Parliament, and a general peace in India has been happily accomplished, the present appears to us to be the proper period, and which cannot, without great imprudence, be omitted, to settle and arrange, by a just and equitable treaty, a plan for the future defence and protection of the Carnatic, both in time of peace and war, on a solid and lasting foundation.

31. For the accomplishment of this great and necessary object, we direct you, in the name of the Company, to use your utmost endeavors to impress the expediency of, and the good effects to be derived from this measure, so strong upon the minds of the Nabob, and the Rajah of Tanjore, as to prevail upon them, jointly or separately, to enter into one or more treaty or treaties with the Company, grounded on this principle of equity, that all the contracting parties shall be bound to contribute jointly to the support of the military force and garrisons, as well in peace as in war.

32. That the military peace establishment shall be forthwith settled and adjusted by the Company, in pursuance of the authorities and directions given to them by the late Act of Parliament.



33. As the payments of the troops and garrisons, occasional expences in the affairs and improvements of fortifications, and other services incidental to a military establishment, must of necessity be punctual and accurate, no latitude of personal assurance, or reciprocal confidence of either of the parties on the other, must be accepted or required; but the Nabob and the Rajah must, of necessity, specify particular districts and revenues for securing the due and regular payment of their contributions into the treasury of the Company, with whom the charge of the defence of the Coast, and of course the power of the sword, must be exclusively entrusted, with power for the Company, in case of failure or default of such payments, at the stipulated times and seasons, to enter upon and possess such districts, and to let the same to renters, to be confirmed by the Nabob and Rajah respectively; but trusting, that in the execution of this part of the arrangement, no undue obstruction will be given by either of those powers, we direct that this part of the treaty be coupled with a most positive assurance on our part, of our determination to support the dignity and authority of the Nabob and Rajah, in the exclusive administration of the civil government and revenues of their respective countries. And further, that in case of any hostility committed against the territories of either of the contracting parties, on the Coast of Coromandel, the whole revenues of their said respective territories shall be considered as one common stock, to be appropriated in the common cause of their defence. That the Company, on their part, shall engage to refrain, during the war, from the application of any part of their revenues to any commercial purposes whatsoever, but apply the whole, save only the ordinary charges of their civil government, to the purposes of war. That the Nabob and the Rajah shall, in like manner, engage on their parts to refrain, during the war, from the application of any part of their revenues, save only what shall be actually necessary for the support of themselves and the Civil Government of their respective countries, to any other purposes than that of defraying the expences of such military operations as the Company may find it necessary to carry on, for the common safety of their interests on the Coast of Coromandel.

34. And to obviate any difficulties or misunderstanding which might arise from leaving indeterminate the sum necessary to be appropriated for the Civil Establishment of each of the respective powers, that the sum be now ascertained which is indispensibly necessary to be applied to those purposes, and which is to be held sacred under every emergency, and set apart previous to the application of the rest of the revenues, as hereby stipulated, for the purposes of mutual or common defence against any enemy, for clearing the incumbrances which may have been necessarily incurred in addition to

the expenditure of those revenues, which must always be deemed part of the war establishment. This, we think, absolutely necessary, as nothing can tend so much to the preservation of peace, and to prevent the renewal of hostilities, as the early putting the finances of the several powers upon a clear footing, and the shewing, to all other powers, that the Company, the Nabob, and the Rajah, are firmly united in one common cause, and combined in one system of permanent and vigorous defence, for the preservation of their respective territories, and the general tranquility.

35. That the whole aggregate revenue of the contracting parties shall, during the war, be under the application of the Company, and shall continue as long after the war as shall be necessary to discharge the burthens contracted by it. But it must be declared, that this provision shall, in no respect, extend to deprive either the Nabob or the Rajah of the substantial authority necessary to the collection of the revenues of their respective countries; but it is meant that they should faithfully perform the conditions of this arrangement; and, if a diversion of any part of the revenues to any other than the stipulated purposes shall take place, the Company shall be entitled to take upon themselves the collection of the revenue.

85. We next proceed to give you our sentiments respecting the private debts of the Nabob; and we cannot but acknowledge that the origin and justice, both of the loan of 1767 and the loan of 1777, commonly called the cavalry loan, appear to us clear and indisputable, agreeably to the true sense and spirit of the late Act of Parliament.

86. In speaking of the loan of 1767, we are to be understood as speaking of the debt as constituted by the original bonds of that year, bearing interest at ten per cent. and, therefore, if any of the Nabob's Creditors, under a pretence that their debt made a part of the consolidated debt of 1767, although secured by the bonds of a subsequent date, carrying an interest exceeding ten per cent. shall claim the benefit of the following orders, we direct that you pay no regard to such claims, without our further special instructions for that purpose.

87. With respect to the consolidated debt of 1777, it certainly stands upon a less favourable footing; so early as the 27th of March, 1769, it was ordered by our then President and Council of Fort St. George, that, for the preventing of all persons living under the Company's protection from having any dealings with any of the Country Powers, or their Ministers, without the knowledge or consent of the Board, an advertisement should be published, by fixing it up at the Sea Gate, and sending round

a copy

a copy to the Company's servants and inhabitants, and the different subordinates, and out garrisons, and giving it out in general orders, stating therein, that the President and Council did consider the irreversibile order of the Court of Directors of the year 1714 (whereby their people were expressly prohibited from having any dealings with the Country Government in money matters) to be in full force and vigor, and thereby expressly forbidding all servants of the Company, and other Europeans under their jurisdiction, to make loans, or have any money transactions with any of the Princes or States in India, without special license and permission of the President and Council for the time being, except only in the particular cases there mentioned; and declaring, that any wilful deviation therefrom should be deemed a breach of orders, and treated as such. And on the 4th of March, 1778, it was resolved by our President and Council of Fort St. George, that the consolidated debt of 1777 was not, in any respect whatever, conducted under the auspices or protection of that Government; and on the circumstance of the consolidation of the said debt being made known to us, we did, on the 23d of December, 1778, write to you in the following terms: "Your account of the Nabob's private debts is very alarming; but from whatever cause or causes those debts have been contracted or increased, we hereby repeat our orders, that the sanction of the Company be, on no account, given to any kind of security for the payment or liquidation of any part thereof (except by the express authority of the Court of Directors), on any account or pretence whatever."

88. The loan of 1777, therefore, has no sanction or authority from us; and, in considering the situation and circumstances of this loan, we cannot omit to observe, that the Creditors could not be ignorant, how greatly the affairs of the Nabob were at that time deranged; and that his debt to the Company was then very considerable, the payment of which, the parties took the most effectual means to postpone, by procuring an assignment of such specific revenues for the discharge of their own debt, as alone could have enabled the Nabob to have discharged that of the Company.

89. Under all these circumstances, we should be warranted to refuse our aid or protection in the recovery of this loan; but when we consider the inexpediency of keeping the subject of the Nabob's debt longer a float than is absolutely necessary; when we consider how much the final conclusion of this business will tend to promote tranquillity, credit, and circulation of property in the Carnatic; when we consider that the debtor concurs with the creditor in establishing the justice of those debts consolidated in 1777, into gross sums, for which bonds were given, liable to be transferred to persons different from

from the original creditors, and having no share or knowledge of the transactions in which the debts originated, and of course how little ground there is to expect any substantial good to result from an unlimited investigation into them, we have resolved so far to recognize the justice of those debts, as to extend to them that protection, which, upon more forcible grounds, we have seen cause to allow to the other two classes of debts. But although we so far adopt the general presumption in their favor, as to admit them to a participation in the manner hereafter-directed, we do not mean to debar you from receiving any complaints against those debts of 1777, at the instance either of the Nabob himself, or of other creditors injured by their being so admitted, or by any other persons having a proper interest, or stating reasonable grounds of objection; and if any complaints are offered, we order that the grounds of all such be attentively examined by you, and transmitted to us, together with the evidence adduced in support of them, for our final decision. And as we have before directed that the sum of twelve lacs of pagodas, to be received annually from the Nabob, should be paid into our treasury, it is our order that the same be distributed according to the following arrangement :

90. That the debts be made up in the following manner, *viz.*

The debt consolidated in 1767, to be made up to the end of the year 1784, with the current interest at ten per cent.

The cavalry loan to be made up to the same period with the current interest, at twelve per cent.

The debt consolidated in 1777, to be made up to the same period, with the current interest at twelve per cent. to November, 1781, and from thence with the current interest at six per cent.

91. The twelve lacs, annually to be received, are then to be applied,

1st. To the growing interest on the cavalry loan, at twelve per cent.

2d. To the growing interest on the debt of 1777, at six per cent.

92. The remainder to be equally divided, one-half to be applied to the extinction of the Company's debt, the other half to be applied to the payment of the growing interest at ten per cent. and towards the discharge of the principal of the debt of 1767.

93. This arrangement to continue till the principal of the debt of 1767 is discharged.

94. The

94. The application of the twelve lacs is then to be first to the interest of the debt as above.

95. The remainder to be then equally divided, one-half towards the discharge of the current interest and principal of the cavalry loan, and the other half towards the discharge of the Company's debt.

96. When the cavalry loan shall be thus discharged, there shall then be paid, towards the discharge of the Company's debts, seven lacs.

97. To the growing interest and capital of the 1777 loan, five lacs.

98. When the Company's debt shall be discharged, the whole is then to be applied to the discharge of the debt of 1777.

99. If the Nabob shall be prevailed upon to apply the arrears and growing payment of the Tanjore peishcush in further discharge of his debts, over and above the twelve lacs of pagodas, we direct that the whole of that payment, when made, shall be applied towards the reduction of the Company's debt.

100. We have laid down these general rules of distribution as appearing to us founded on justice, and the relative circumstances of the different debts; and therefore we give our authority and protection to them, only on this supposition, that those who ask our protection, acquiesce in the condition upon which it is given; and, therefore, we expressly order, that if any Creditor of the Nabob, a servant of the Company, or being under our protection, shall refuse to express his acquiescence in these arrangements, he shall not only be excluded from receiving any share of the fund under your distribution, but shall be prohibited from taking any separate measures to recover his debt from the Nabob, it being one great inducement to our adopting this arrangement, that the Nabob shall be relieved from all further disquietude by the importunities of his individual Creditors, and be left at liberty to pursue those measures, for the prosperity of his country, which the embarrassments of his situation have hitherto deprived him of the means of exerting: and we further direct, that if any Creditor shall be found refractory, or disposed to disturb the arrangement we have suggested, he shall be dismissed the service, and sent home to England.

101. The directions we have given, only apply to the three classes of debts which have come under our observation. It has been surmised, that the Nabob has, of late, contracted further debts; if any of these are due to British subjects, we forbid any
D countenance

countenance or protection whatever to be given to them, until the debt is fully investigated, the nature of it reported home, and our special instructions upon it received.

102. You are to understand, that it is our intention, and express direction, that the debts hereby put in course of payment be made up with simple interest only, from the time of their respective consolidation, at the rates before specified; and if, notwithstanding the provision above contained, any deficiency shall arise in the Nabob's payment of twelve lacs of pagodas annually, the whole of what shall be received is to be divided in the same proportion, which would have obtained, in the division of the whole twelve lacs, had they been received.

EXTRACT Fort St. George Military and Political Consultations, the
25th June, 1785.

THE President lays before the Board the following preliminary articles of agreement, which he has directed to be drawn out; the periods of the kists, and their number, also the districts to be assigned to the Company, in case of failure, on the part of the Nabob, in the payments to be made by him; are these which have been fixed between him and His Highness, and are the best terms he could procure in the course of many interviews.

ARTICLES of AGREEMENT entered into between His Highness the Nabob of the Carnatic, and the Governor and Council of Fort St. George.

1. His Highness the Nabob agrees to pay his proportion of the current charges, as stipulated by the Company, to be finally settled by treaty between His Highness the Nabob, and the Governor and Council of Madras, agreeably to the late orders of the Company, dated 9th December, 1784; until the exact proportion can be ascertained, His Highness consents to consider it at four lacs of pagodas per annum.

2. His Highness the Nabob, will likewise pay twelve lacs of pagodas per annum, on account of his debts to the Company and private Creditors, until those debts are discharged.

3. Under the two foregoing articles, His Highness will pay fifteen lacs of pagodas per annum to the Company, who are to be answerable to the private Creditors for the proportion allotted to them, according to the payments that shall be made.

4. His Highness agrees to give the same security for the above twelve lacs of pagodas per annum, as is required of him by the Company, for his proportion of the current charges.

7. It has already been stated, that when a kist, or any part of it that is due, shall remain unpaid more than twenty days, the Company may resort to the security given to them ; but as from the nature of revenue collections, the full produce of the country to make good the last kist cannot be received until the beginning of the following year, the Nabob requires two months for completing what may remain due of the last kist, to the amount of two lacs of pagodas ; should the balance exceed that sum, two months after the kist shall have become due, the Company may take possession of the management, as before-mentioned in the 5th article of this agreement.

8. His Highness the Nabob, taking notice of the particular stress the Company lay on the security to be required, for the punctual payment of his share of the current charges, and being sensible of how much importance it is, that the military expences should be regularly provided for, His Highness agrees, that the amount of his share of the current charges shall be exclusively paid with the first kist, and as much of the second kist as may be necessary to make up the four lacs of pagodas. The remaining part of the second kist, and the whole of the third kist, amounting to twelve lacs of pagodas, will be appropriated in discharge of His Highness's debt to the Company and his private Creditors.

11. Should there be any essential failure in the crops, owing to the want of rain or otherwise, it is agreed that a deduction be made, not from the current charges, but from the twelve lacs stipulated to be paid to the Public and private Creditors, to the extent of the injury the Company may sustain, as shall be estimated and fixed on by the Governor and Council.

12. The Company having been pleased to direct, that a treaty be formed with His Highness the Nabob, embracing some essential points which cannot at present be ascertained, and as it is His Highness's wish that the treaty, when concluded at Madras, should be ratified by the Governor General in Council of Bengal, which would take up some time, and consequently prevent the orders of the Company (regarding the assignment) being carried immediately into effect ; the above preliminary articles of agreement have therefore been entered into between His Highness the

the Nabob, and the Governor and Council, which are hereby declared to have all the force of a treaty; and as to what respects the twelve lacs of pagodas, to be paid yearly on account of the debt due to the Company and private Creditors, an instrument separate from the treaty, to the effect above-mentioned, shall be executed, under the seal and signature of his Highness the Nabob.

EXTRACT TREATY with the NABOB in February, 1787.

THE Court of Directors of the Honorable United East-India Company, having taken into their serious consideration the great advantages which may be attained by improving the blessings of peace, now happily re-established on the Coast of Coromandel and the Carnatic; considering the present hour best suited for settling and arranging, by a just and equitable treaty, a plan for the future defence and protection of the Carnatic and the Northern Circars, on a solid and lasting foundation, have communicated these their sentiments to his Highness the Nabob of the Carnatic, who, being fully impressed with the propriety and wisdom of such an arrangement, has, for himself, his heirs, and successors, adjusted and concluded a solid and permanent treaty with the President and Council of Fort St. George, upon the principle and conditions herein after-mentioned.

2. His Highness the Nabob of the Carnatic, will contribute towards the military peace establishment, and shall pay into the treasury of the said United Company the annual sum of nine lacs of pagodas, to commence in the Fuzelly, 1197, corresponding to the 12th July, 1787, as his fixed proportion, divided into kists, payable at the following periods; that is to say,

30th November	-	-	-	-	3,00,000
31st March	-	-	-	-	6,00,000
					<hr/>
				Star Pagodas	9,00,000

3. That the Honorable East-India Company will, in like manner contribute, and with the aid of Tanjore, shall pay and make good such further sums as may be necessary to discharge the expence of the military peace establishment, beyond the said annual contribution of his Highness, already mentioned.

In

5. In case of failure in the punctual payment of the nine lacs of pagodas already mentioned, to the amount of one lac of pagodas in any kist, for the period of one month after the same shall become due, His Highness the Nabob agrees, that certain districts, specified in the schedule, No. 1, hereunto annexed, shall be made answerable for such failure.

8. That in the event of any war breaking out in the Carnatic, or on the Coast of Coromandel, the said United Company shall charge themselves with the direction, order, and conduct thereof; and during the continuance of such war, shall apply four-fifths of their whole revenue in the Carnatic and the Northern Circars annually, to the military expences of the war: to remove every doubt, on the part of His Highness, of any secretion or diversion of the said revenues, from the purpose aforesaid, His Highness the Nabob of the Carnatic, in behalf of himself, his heirs, and successors, shall have full power and authority, during such war, to appoint one or more inspectors or accomprants, to inspect and examine the Cutcherry receipts of all the districts of the Company in the Carnatic and the Northern Circars, as well as the state of all the other revenues, collected from the customs, from the Zemindars and Poligars tributary to the Company.

9. That in the like event, His Highness the Nabob of the Carnatic, after deducting from the whole amount of his revenues, 2,13,421 pagodas annually, for jaghires to the family of his Highness, and 21,366 pagodas annually for charities, shall and will pay, into the treasury of the said United Company, four-fifths of his revenue to the general expence of such war, to be applied in such manner as the said United Company, or their representatives, shall find necessary for their common safety and interests, as also for the interests of their allies in the Carnatic, and on the Coast of Coromandel; and it is moreover agreed, that His Highness's proportion of the debt of the war, will henceforth be settled at twenty five fifty-one parts.

11. That the said annual four-fifths, payable from the revenues of His Highness the Nabob of the Carnatic, shall, after the termination of the war, continue to be applied to the discharge of all debts and expences that may be incurred or arise, during the course of the war, until his proportion of twenty five fifty-one parts is paid off and discharged.

18. It is hereby stipulated, that the conditions mentioned in the articles of agreement between the President and Council of Fort St. George, and His Highness the Nabob, dated 28th June, 1785, for payment of four lacs of pagodas, annually, to the

Honourable Company, shall be null and void, the same being comprehended and included in the conditions of the present treaty.

19. It is further stipulated, that the said articles of agreement, dated 28th June 1785, as far as relate to the discharge of the debts of His Highness, the Nabob, shall be and continue in full force and virtue.

EXTRACT TREATY with the NABOB, July 1792.

Article 4th. THE Nawaub of Wallah Jah agrees to pay to the said Company, for the purpose of mutual defence, the sum of nine lacs of star pagodas, annually, as his share of the expence for the military force; and also in consequence of certain agreements entered into by him with the said Company, and guaranteed by the Parliament of Great Britain, for the purpose of liquidating certain debts due by the said Nawaub, a further sum of 6,21,105 star pagodas, annually, which further sum of 6,21,105 star pagodas, shall cease on the full liquidation of the debts above-mentioned, and the sum of 9,00,000 of star pagodas only, shall continue to be paid by the said Nawaub to the said Company.

Article 8th. The said Nawaub engages to make good to the said Company the payments of the sums, according to the instalments, or kistbundy contained in the seventh article; and if, contrary to his sincere intentions and exertions, any of the said sums shall not be fully paid at the expiration of fifteen days from the time limited, in that case, the said Nawaub agrees, that the said Company shall assume the management of, and make the collection of the revenues from the districts mentioned in the schedule, No. 2, hereunto affixed.

Article 10th. The said Nawaub shall receive regular information of all negotiations which shall relate to declaring war or making peace, wherein the said Company may engage, and the interests of the Carnatic and its dependencies may be concerned; and the said Nawaub shall be considered as an ally of the said Company, in all treaties which shall, in any respect, effect the Carnatic and countries depending thereon, or belonging to either contracting parties, contiguous thereto; and the said Nawaub agrees, that he will not enter into any negotiations or political correspondence with any European or native Power, without the consent of the said Company.

LETTER from the Right Honourable HENRY DUNDAS.

To the Committee of Correspondence of the Court of Directors of the East-India Company.

GENTLEMEN,

I duly received your report of the 27th March, relative to the plan which I proposed for finally settling the claims of the private Creditors of the Nabob of Arcott.

Different avocations, of a pressing nature, have prevented me from resuming the consideration of this subject at any earlier period; but I have now maturely considered the whole, and shall lay before you the mode in which I conceive it is highly expedient to bring the business to a final arrangement, if the Creditors of the Nabob are willing to acquiesce in the propositions I mean to bring under your view. It is not my intention to recur again to the consideration of the subject, on the same extensive scale in which I formerly considered it. My opinion certainly remains unaltered, that it would have been for the interest of the East-India Company, upon principles of true wisdom and policy, to have removed totally out of the way, the claims of the Nabob's Creditors, by an adjustment of those claims on the principles I formerly suggested. But as you did not agree with me in those suggestions, and I have no right to controul your opinion in that respect, I have now considered the subject on its narrowest bottom, viewing it merely as a mercantile account, framed upon principles to which a Court of Law would give sanction, in a question between two individuals; and therefore it is the duty of those administering the affairs of a great Company, to do voluntarily what a Court of Law, under similar circumstances, would compel an individual to do. I have often had occasion, in conversation with gentlemen who have at different times filled the Chairs of the East-India Company, to express my doubts as to the legality of some of the orders we had given, and some of the transactions we had countenanced, injurious to the interests of the Nabob's Creditors, posterior to the arrangement made with them, in obedience to the orders of 9th December, 1784. I did not advert to this with a view of casting blame upon any body; for, in truth, if any body was particularly to blame, it was myself, from whom most of the orders I refer to had originated. The necessity of the case furnished the true apology, and it was always in our power to remedy any injustice which we committed, when the more settled affairs of the Company enabled us to do it; that period is now arrived, and it is full time the business was arranged on a permanent footing.

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After perusing the report of the Committee of Correspondence, I have likewise attentively examined the case of the Creditors, as contained in two papers, one entitled a State of Facts given in answer to the observations from the East India Company, the other a letter to the Court of Directors from the agents for the Nabob's Creditors, dated 2d April, 1794: and I must fairly confess, that the arguments in support of the claims of the Creditors, under the arrangement of 1784, are so distinctly collected, and the rights resulting to them from that arrangement so ably enforced in those papers, particularly the last, that they appear to me irresistible. There are only two points in which I think there is room for maintaining a plausible argument against their claims; the one is the claim they make for interest upon their debt, during the period of the war; the other is in their insisting on a payment of twelve lacs annually, till their debts are extinguished, in place of the 6,21,105, as settled by Lord Cornwallis's arrangement, under date July, 1792. I am very far from meaning to contend, that in a Court of Law, both those points might not be determined in favour of the Creditors; but they seem to be the points upon which most may be argued on the other side:—but with the exception of these two, I do not see it possible to hold even an argument against the claims of the Creditors, as stated in those papers. Trusting, however, that the agents of the Creditors, for the sake of a final liquidation of their claims, would be induced to depart from those two points, you will observe that the draft of the dispatch I have prepared for the Presidency of Madras, together with the accounts I have referred to, and which I herewith transmit to you, are drawn on the supposition that the agents would give them up. The question may be put to them, and if they acquiesce, the order may go out by the first opportunity. If your sentiments correspond with mine, you will propose the dispatch to the Court, and transmit it in the common form to the Board of Commissioners for the Affairs of India; if it does not meet your approbation, I must then submit it to the Board, and send it down as an addition to one of your public or revenue dispatches.

I am, GENTLEMEN,

Your most obedient humble servant,

Whitehall,
28th July, 1794.

(Signed)

HENRY DUNDAS

PROPOSED DRAFT to FORT ST. GEORGE.

IN a late dispatch, we gave you directions for the liquidation of the debts, owing by the Rajah of Tanjore to his private Creditors. At the same time, we proposed to take into consideration the more considerable claims of the Creditors of the Nabob of Arcot; and we now transmit to you the terms of an agreement which we have made with the agents of those Creditors, and we authorize and direct you to carry the same into effect.

The debt to the Creditors in the cavalry loan is, we presume, already discharged, and therefore our present directions extend only to the claims of the Creditors in the consolidated debt of 1777, with the agents for whom we have made the following arrangement and settlement.

That as the Company found it necessary, in order to provide for the defence of the country, to take possession of the Nabob's territories, and to apply the revenues arising from them to the expence of the war, and not to the payment of the sums which became annually due to His Highness's private Creditors, according to the agreement made between the Company and them in December 1784; we have agreed, that the Company shall be considered as having borrowed the sums which ought to have been paid to the Creditors, prior to the treaty of peace made by Lord Cornwallis, which money shall be accounted for, agreeably to the arrangement in our letter of 9th December 1784. Those sums appear to be as follows: First, The interest on pagodas 54,98,500, the principal due to those Creditors at 6 per cent. for the two years from August 1788 to August 1790, being pagodas 6,59,820, which interest is the share of the twelve lacks of pagodas per annum, which they were intitled to receive by the orders in our said letter of 9th December 1784, until the cavalry loan should be discharged.—Secondly, As this latter loan would, if the payments to the Creditors had been duly made, have been discharged before 31st August 1790, five lacks of pagodas became annually due to the Creditors in the debt of 1777, which for two years, from that date to the date of Lord Cornwallis's treaty made in July 1792, amounts to pagodas 10,00,000, making together pagodas 16,59,820. On this sum, or such amount as shall be found due on these principles, it is agreed, that interest at 6 per cent. shall be allowed to the Creditors from August 1792, being the month after

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Lord Cornwallis's treaty was made; which interest, on the above sum, amounts to pagodas 1,99,198, for two years, to the 31st of August next, making together pagodas 18,59,018. This sum, or such other amount as shall, on the principles here laid down, be found due to the Creditors, we have agreed that your Government shall immediately discharge, either by cash, or by bonds bearing 6 per cent. interest, from 31st August 1794.

To prevent our orders on this subject from being misunderstood, we send a statement, No. 2, containing the debt which we suppose will be found due by the Company to the Creditors on 31st August 1794, in the consolidated debt, according to the arrangement we have mentioned; and a statement, No. 3, shewing the amount of what will remain due by the Nabob to those Creditors, after the bonds we have mentioned shall be given, and after the kists for two years, payable by the Nabob, according to Lord Cornwallis's treaty, shall have been paid to them.

We have also agreed, that as the payments which the Nabob was bound to make in every year to his Creditors, have been, for the accommodation of His Highness, reduced from twelve lacs of pagodas to 6,21,105 pagodas, the payment of the said 6,21,105 pagodas to the Creditors in the consolidated debt of 1777, shall not henceforth be suspended on any account whatever, but shall be regularly made to those Creditors, until the debt due to them, with interest at 6 per cent. shall be fully paid.

No. 2.

STATEMENT of MONEY supposed due by the EAST-INDIA COMPANY to the Creditors of the NABOB of Arcot in the consolidated Debt of 1777; being for the Sums to which those Creditors were entitled, for their Share of Twelve Lacs annually payable by His Highness, from 31st August 1788, to 31st August 1792.

1788 August 31	}	Share of the twelve lacs per annum, to which the Creditors were entitled while any part of the cavalry loan remained unpaid, in consequence of the arrangement in the letter from the Court of Directors, dated 9th
to		
1790 August 31.		

	December 1784, to be accounted for by the East-India Company,	- - -	Pagodas 6,59,826
1791 August 31.	Share of the twelve lacs to which the Creditors were entitled after the full payment of the cavalry loan,		5,00,000
1792 August 31.	Ditto	- - -	5,00,000
			<u>16,59,826</u>
	Two years interest, at 6 per cent.	-	1,99,198
	Due by the Company to the Creditors in August 1794,	- - -	Pagodas 18,59,018

No. 3.

STATEMENT, shewing the Amount of the Debt which will remain due by the NABOB of ARCOT to the Creditors in the consolidated Debt of 1777, on the 31st of August 1794, after deducting the Payments on Account of that Debt, and the Interest thereof, which are stated in Account with the East-India Company.

1790.	Principal sum of debt due to the Creditors at this time,	- - -	Pagodas 54,98,500
1791 August 31.	Share of the twelve lacks due to the Creditors by the arrangement in the letter from the Court of Directors, dated 9th December 1784, to be accounted for by the East-India Company,	-	Pagodas 5,00,000
	Deduct one year's interest on 54,98,500, at 6 per cent.	- - -	3,29,910
			<u>Deduct 1,70,090</u>
			Car. ov. 53,28,410

Bro. ov. 53,28,410

1792 August 31. Share of the twelve lacs due to the
 Creditors, as above stated, - 5,00,000
 Deduct one year's interest on 53,28,410,
 at 6 per cent. - - - 3,19,704
Deduct 1,80,296

51,48,114

1793 August 31. Sum paid to the Creditors at this time,
 in consequence of Lord Cornwallis's
 treaty - - - 6,21,105
 Deduct one year's interest on 51,48,114,
 at 6 per cent. - - - 3,08,887
Deduct 3,12,218

48,35,896

1794 August 31. Sum to be paid to the Creditors before
 this time, in consequence of Lord
 Cornwallis's treaty - 6,21,105
 Deduct one year's interest on 48,35,896,
 at 6 per cent. - - - 2,90,154
Deduct 3,30,951

Debt which will be due by the Nabob
 to the Creditors on the 31st August
 1794, if all the kists payable by
 His Highness for the second year
 after Lord Cornwallis's treaty shall
 have been paid to them -

Pagodas 45,04,945

AT A COURT OF DIRECTORS,

Held on Wednesday, the 16th of September, 1795,

THE Chairman laid before the Court, minutes of the Committee of Correspondence, of the 20th February, and 27th March, 1794, upon a letter from the Right Honorable Henry Dundas, dated the 17th January, 1794, on the subject of paying, in England, the debts due from the Nabob of Arcot; also a report prepared by the Committee on the 27th March, 1794, upon that subject, a copy of which had been transmitted to Mr. Dundas by the Chairman and Deputy on the following day.

The Chairman also acquainted the Court, that in consequence of a further letter from Mr. Dundas, on the subject above-mentioned, dated the 28th July, 1794, the Committee had met to take the same into consideration on the 1st August, 1794, the 2d, 3d, and 17th June last, and this day.

The Chairman then laid before the Court, the minutes of the Committee of the above dates; and also the draft of a letter to Mr. Dundas, in reply to his letter of the 28th July, 1794, and founded upon the resolution of the Committee of Correspondence of the 17th June, 1795.

Ordered, That the above-mentioned proceedings of the Committee of Correspondence, together with the several papers therein referred to, be taken into consideration on Wednesday next.

8th June, 1795.

The CHAIRMAN laid the following before the COMMITTEE of
CORRESPONDENCE.

PRIVATE CREDITORS of the NABOB of ARCOT.

THE Committee of Correspondence having met several times upon this subject, the Committee desired the Chairman would state, in writing, two or three strong points, which seemed to lead to the determination of the question.

It is proper to premise, that the Committee take up this subject in consequence of a letter from the Right Honorable Henry Dundas, dated 28th July, 1794, and a paragraph inclosed by him for their consideration.

In June, 1785, a preliminary agreement was made with the Nabob—The subsidy for peace was left undetermined, until a final treaty should be made—Four lacs were only then allowed; and the Nabob agreed to pay twelve lacs for his Creditors.

In February, 1787, the final treaty was made—The peace subsidy was fixed at nine lacs, and the twelve lacs for debts recognized.

By this treaty, in case of war, four-fifths of the revenues were to be applied to the war expences; the Nabob's proportion of extra expences to be $\frac{2}{3}$ parts; and the four-fifths of the revenues were to remain after the war, to be applied to the discharge of the $\frac{2}{3}$ parts.

The first question that the Committee seemed to think material was,

First Question. Whether this treaty of Sir Archibald Campbell, of February, 1787, was an infringement of the rights of the Creditors; and, if it was, whether the Company are now bound to give any relief in consequence thereof?

N. B. The same sum is reserved (as before stated, twelve lacs) by this treaty for the Creditors.

The second question, and a very important one it is.

Second Question. Whether the monies expended in the war with Tippoo, by which there was a delay of payment to the Creditors (both to the Company and private Creditors), ought to be considered as a debt from the Company, and by them repaid to the Creditors?

I do not mean to enter into the argument upon the subject; but to state facts for the judgment of the Committee.

The uniform orders of the Company have been, that in case of war, no part of the revenues of the Nabob was to be applied to any other purpose but to defray military expences, except what might be necessary to support the Nabob's civil Government.

The third Question seems to be, supposing the Company not answerable for the monies spent in the war, to the Creditors, for the delay occasioned thereby in liquidating the debts.

Third Question. Whether the Company, who have gained an additional revenue by the war, ought not, in equity, to allow the Nabob a proportion, agreeable to what he

he was bound to pay towards the war expences, viz. $\frac{3}{11}$ parts, and to pay the same to him or his Creditors?

To enable you to judge of this question, it is necessary to state,

First. That upon an estimate, the increased revenue amounts annually to £.332,000.

Second. That the Nabob's share would be £.163,000 per annum, if participation was admitted to the extent mentioned above.

Third. That the extra expences of the war, deducting the sum received from Tippoo, amounts to £.3,310,000.

Fourth. That the Nabob's proportion of this debt is, by treaty, to be paid to the Company, and amounts to £.1,623,000.

Fifth. That it will be upwards of seven years before this proportion of debt can be paid from the Nabob's share of increased revenue, if the same is admitted without any charge of interest, and without any allowance for the Nabob's debt to the Company, which, at the breaking out of the war, was about £.600,000.

(Signed) STEPHEN LUSHINGTON.

AT A COURT OF DIRECTORS,

Held on Wednesday, the 4th of November, 1795.

THE Court proceeding to take into consideration the proceedings of the Committee of Correspondence, respecting the debts due from the Nabob of Arcot, and the several papers therein referred to, which were laid before the Court on the 16th of September last;

The following particulars were read, viz.

Letter from the Right Hon. Henry Dundas, dated the 28th of July, 1794, on the subject of the Nabob's debts; with the proposed dispatch, prepared by him in consequence, and the accounts annexed thereto; also,

Minutes of the Committee of Correspondence of the 1st August, 1794, 2d, 3d, and 17th June, and 16th September, 1795; and the proposed letter to Mr. Dundas, referred to in the last-mentioned minute.

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The Court then agreeing to postpone the further consideration of the subject, adjourned.

The Court being again met, and resuming the consideration thereof, the following particulars were read, *viz.*

The thirty-third paragraph of the political letter to Fort St. George, dated the 6th May, 1791,

The second paragraph of the political letter to Fort St. George, dated the 19th September, 1792; and

The ninth paragraph of that dated the 25th June, 1793; also

The minute of the Committee of Correspondence of the 17th June, 1795, being as follows, *viz.*

“ AT A COMMITTEE OF CORRESPONDENCE,

“ the 17th of June, 1795.

“ Resumed the consideration of the letter from the Right Honorable Henry Dundas, of the 28th July, 1794, with the proposed dispatch for Fort St. George inclosed therein.

“ The following motion was made, *viz.*

“ That the Company are answerable to the private Creditors of the Nabob of Arcot, to the amount of ten lacs of pagodas, expended during the war with Tippoo Sultaun.

“ And the question being put thereon,

“ The same passed in the Negative.”

And the Court deliberating thereon,

It was moved, “ That this Court agree with the Committee of Correspondence, in the opinion expressed in their minute of the 17th June last.”

And the question, on the said motion, being put by the ballot,

The same was carried in the Affirmative.

It was then moved ; and, on the question,

Resolved, That this Court approve the letter prepared by the Committee of Correspondence, in reply to the letter from the Right Honorable Henry Dundas, of the 28th July, 1794, respecting the private debts of the Nabob of Arcot.

To the Right Honorable Henry Dundas.

SIR,

THE Court of Directors have considered, with great attention, your letter of 28th July, 1794, and the draft of the proposed paragraphs which accompanied it, relative to the private Creditors of the Nabob of Arcot.

The orders which you propose to be sent to Madras, on this subject, are as follow :

First. That the Company having found it necessary, in order to provide for the defence of the country, to take possession of the Nabob's territories, and to apply the revenues thereof to the expence of the war, and not to the annual payments to the Creditors, according to the directions of 1784, shall be considered as having borrowed the sums which should have been paid to the Creditors, prior to the treaty of 1792, agreeably to the arrangement of 1784.

Second. That these sums are—First, The interest on the debt of 1777, for two years, from August 1788 to August 1790, amounting to pagodas 6,59,820 ; being their proportion of the twelve lacs, until the cavalry loan should be discharged.—Second, That as this last mentioned loan would have been discharged before August 1790, if the payments had been duly made, five lacs of pagodas per annum became due to the Creditors of 1777 ; which from that date, to Lord Cornwallis's treaty, will amount to ten lacs of pagodas.—Third, That these sums, with interest thereon at six per cent. per ann. for two years, from August 1792, are to be paid by the Company in cash, or in bonds bearing interest at six per cent. from August 1794.

On these points, the Court have to observe, that as by the orders of December 1784, paragraph 102, the payments to the Creditors were to be only in proportion to the actual receipts from the Nabob on their account ; and as the Creditors did, in fact,

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receive

receive the full proportion of all such actual receipts prior to the commencement of the war with Tippoo, and on part thereof, which had not been regularly paid them when due, an interest at the rate of twelve per cent. per annum, for the time it was withheld, the Court are of opinion, that their claim for the first sum of pagodas 6,59,820, for interest on their debt for two years, from August 1788 to August 1790, is not well founded.

With respect to the claim for five laes per annum, from 1790 to 1792, the Court beg leave to refer to the directions in the letter to Madras of the 9th December, 1784, relative to the treaty to be entered into with the Nabob, for the defence of the country during war, wherein it is expressly ordered, that a stipulation should be made for appropriating the whole of the revenues of the contracting parties to the war expences during the war, after reserving only so much thereof as might be necessary for the Civil Government of the Nabob, and no part of those revenues was to be diverted to any other purpose than that of defraying the military expences after the war; and as long as it should be necessary to discharge the burthens contracted by it, the appropriation of the revenues was to continue for that purpose.

In February 1787, a treaty was made by Sir Archibald Campbell with the Nabob, and particular stipulations were agreed on, for securing the appropriations directed of the Carnatic revenues, during and subsequent to the war; and while the war lasted, four-fifths of these revenues were applicable to the war expences; and after its conclusion, the same proportion was to be appropriated to discharge His Highness's proportion of the war debt, which he agreed, by the treaty, should be $\frac{2}{3}$ parts of the extra expences.

Such being the provisions made by the treaty of 1787, conformable to the orders of 1784, the Court are impressed with the fullest conviction, that during the war, and even for a considerable time thereafter, the Creditors cannot be considered as having any just claim for payment of their debts.

The principles of this treaty have been so often recognized and approved by the Court, and with the sanction of the Right Honorable the Board of Commissioners, that the Court think it incumbent on them to solicit your attention to the various orders from hence applicable to this point.

In the letter in the political department of the 6th May, 1791, paragraph 33, the Court write as follows:

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" It may not be improper, however, to observe, that during the present hostilities, all payments to the private Creditors, both of the Nabob and Rajah, cease of course, the revenues of their respective countries being to be applied to the purposes of a vigorous prosecution of the war."

In the letter of the same department, of the 4th August following, paragraph 17, the Court observe " The Creditors must have been aware, that their demands must at all times yield to the superior claim of defending and protecting the Carnatic, on extraordinary occasions."

In the letter of the 17th September 1792, paragraph 2, the Court write, " Considering the Nabob's revenues, notwithstanding the conclusion of the war, will by treaty remain under appropriation, until his proportion of the expences incurred thereby shall be completely discharged, and his arrears of subsidy liquidated;" and in paragraph 6, " By the terms of the treaty, we are intitled to the exclusive receipt of all payments from the Nabob and Rajah, until the debts contracted in the late war shall be completely discharged."

Lastly, in the letter of 25th June 1793, paragraph 10, " Under the treaty of 1787, no sum should be carried to the debit of the Nabob, on account of his public and private Creditors, subsequent to the commencement of hostilities on the 8th January 1790, when all payments, on that account, were to cease; nor must the Company be debited, or rendered accountable to the Creditors for any sum received since the 8th January 1790, to the conclusion of the last treaty with His Highness by Lord Cornwallis, as no sum can possibly have been received on that account between those periods. Whatever was due from the Company to the Creditors on the commencement of the war, has already been liquidated by bonds bearing an interest of twelve per cent."

Such being the provisions made by the treaty of 1787, founded on the orders of 1784; and the approbation of the principles of that treaty having been so repeatedly given in the instances quoted above, the Court submit to you as their opinion, that no ground exists to justify a departure from those principles, in the manner now proposed.

In a pecuniary view, the Court beg leave to state, that the payment of ten lacs of pagodas, as proposed, will materially injure the Company. It appears from the accounts received from Madras, that the nett sum received as the four-fifths of the revenues of the Carnatic, while under the Company's management, from 1790 to 1792, amounted to

to twenty-seven lacs of pagodas, or thirteen and a half lacs per annum. If five lacs are deducted from the latter sum, for the supposed debts to the private Creditors, there will remain only half a lac per annum, received from the Nabob above his lowest peace subsidy (as agreed to be taken from him by the orders of August 1788) for his contribution towards the extra expences of the war, the whole burthen of which, with this small exception, must therefore be borne by the Company. It could never be intended that the Nabob was not to furnish a larger proportion than this, and it must effectually overturn the provisions made by the Court's orders of 1784, and in conformity to those orders the treaty of 1787, if the Company are now to surrender so large a portion of the receipts from the four-fifths of the Nabob's revenues, expressly taken under the orders and treaty above-mentioned, for the purpose of defending his country.

The claim of the Creditors of 1777, to five lacs of pagodas per annum, for 1790 to 1792, is further unsupported, by the circumstance of the debt to the cavalry Creditors not having been liquidated in that period: until this was done, the former could only claim the current interest on their debt.

Having thus, we trust, shewn that the Creditors of 1777 have no just claim on the Company, upon either of the principles stated in the proposed dispatch, we offer it as our opinion, that they receive, under the existing treaty, much greater advantages than they had a right to expect by the former arrangements.

It is evident, that by the repeated orders already mentioned, and most particularly by the treaty of 1787, the private Creditors could not have been entitled to any payments, on account of their claims, for a long period subsequent to the close of the late war, as four-fifths of the Nabob's revenue were to have been appropriated to discharge the stipulated proportion of the war debt, or, in other words, the extra expences of the war, which being according to treaty $\frac{2}{3}$ parts, would have amounted to £1,600,000; or if the excess of the receipts from his country, in the two years the revenues were collected by the Company, above the lowest peace subsidy, be deducted, near £1,200,000.

The liquidation of this sum must naturally have engrossed the whole of the four-fifths of the revenues of the Carnatic for several years, to the exclusion of the private Creditors; whereas, by the treaty of 1792, they are immediately admitted to a participation to the full amount of pagodas 6,21,105 per annum.

The Creditors are benefitted in the sum they now receive, for according to the arrangements of 1784, they were entitled to five lacs per annum only, so long as the Company's

Company's debt, on account of the former war, remained undischarged. In the commutation of this debt for the Tanjore peishcush, by the orders of August 1788, it was specifically defined, that no alteration was thereby to take place, with regard to the annual payments to the private Creditors: the period is therefore yet far distant, at which they would, under the former arrangements, be entitled to more than five lacs per annum; but by the present treaty they are now in the receipt of upwards of six lacs per annum.

It is necessary to observe, that in the event of paying the private Creditors the sums now proposed with interest, a further disadvantage will accrue to the Company, in the doubt that may reasonably be entertained of the Nabob's acquiescence in the repayment thereof. It may be urged by His Highness, that the Company acknowledge that the amount received by them, during the time they held the management of his country, over and above the ordinary peace subsidy, was received for the use of his private Creditors, otherwise they would not now consent to consider it as borrowed from those Creditors, and to repay it; consequently, his private debt being by the measures proposed so far diminished, he may contend, that his annual payments, by the present treaty, for his Creditors, should cease sooner than they would otherwise do, and the loss must, in that case, fall on the Company: at any rate, we apprehend he may fairly object to repaying the interest proposed to be allowed the private Creditors, and alledge, that the payment being made voluntarily by the Company, is at their risque, and he is in no shape bound by their act.

But supposing the Nabob could be induced to consent to the repayment of the money now proposed to be paid to the private Creditors, a considerable loss will arise to the Company, in the long interval that must necessarily take place before such repayment can commence; for by the last of the proposed paragraphs it is stated, that the payment of the pagodas 6,21,105 per annum "to the private Creditors of 1777, "shall not henceforth be suspended on any account whatever, but shall be regularly "made to those Creditors, until the debts due to them, with interest at six per cent. "shall be fully paid." Now it is evident from hence, that it must occupy a considerable number of years to clear off the private debts, before which the Company cannot begin to receive back the sum proposed to be paid. The loss, at simple interest at six per cent. per annum, by paying this sum, either in cash or bonds, on the 1st of January next (before which it is presumed the measure proposed cannot take place) will, for the time the Company may be thus supposed to be out of the money, amount to £468,000.

We apprehend also, that if the measures proposed should be finally adopted, the Creditors in the cavalry debt will have an equal claim on the Company to be allowed interest on the part of their debt that remained undischarged at the breaking out of the war, and we confess we do not see how such claim could be afterwards rejected with any shadow of reason; this, therefore, is a further disadvantage that the Company are likely to sustain.

The Court think it necessary to observe, that the Company have taken upon themselves the payment of the Nabob's debt to the new cavalry Creditors, and have in fact paid them to the amount of pagodas 7,20,934, for repayment of which no fund is hitherto provided, and the Company must await the complete liquidation of the debt of 1777, before they can expect such repayments, the sum for which they thus remain in advance, with simple interest thereon at 8 per cent. per annum, is stated by the Madras Government to amount to no less than pagodas 18,74,429.

As it is impossible that the treasury at Madras will be in such a state, on receipt of the proposed orders, as to admit the payment of so large a sum, or any sum nearly equal to it, in cash, the alternative of issuing bonds at 6 per cent. would be resorted to, and a considerable loss must accrue to the Company by this measure. The late advices from thence state, that any sum of money could be procured for notes of Government, at 6 per cent. with a premium of $2\frac{1}{4}$ per cent. for such notes. If the Government, therefore, issue to the private Creditors of the Nabob notes or bonds to the extent of the present demand at par, the Company must lose, and the Creditors gain to the amount of pagodas 41,000.

We submit it, Sir, as our opinion, on the supposition that what we have here urged should not have the desired effect of preventing the adoption of the proposed measure, that it will be absolutely necessary to alter or modify the last part of the paragraph; by this no reserve is left to meet the possibility of a future war in the Carnatic or the Nabob's revenues suffering defalcation, so as to render it impracticable for him to make good his present engagements, but the Company are bound to the annual payment of six lacs to the Creditors without alternative.

But we rest confident, that on a full and deliberate consideration of all the circumstances, you will agree with us, Sir, in opinion, that not only the Creditors of 1777 have no right to complain of injustice on the part of the Company, but that they do now, in fact, stand on a much better footing, with regard to security for their demands on

the Nabob, and the speedy liquidation of those demands, than by the former orders, and the treaty of 1787, they could possibly be; and as we trust we have shewn that the proposed measures would be highly injurious to the Company's rights and interests. We entertain sanguine hopes, that you will be induced to wave your intention of sending out the paragraphs before us, and that the liquidation of the Nabob's debts to his private Creditors, may proceed in its due course, under the existing arrangements for that purpose.

We have the honor to be, Sir,

With great respect,

Your most obedient humble servants.

East-India House,

5th Nov. 1795.

(Signed, by order of the Court,)

WILLIAM RAMSAY, Secretary.

AT A COURT OF DIRECTORS.

Held on Wednesday the 11th November, 1795.

David Scott, Esq. Deputy Chairman, John Roberts, Esq. and Jacob Bosanquet, Esq. also members of this Court, delivered in the following dissents, viz.

To the Honorable the Court of Directors of the United East-India Company.

GENTLEMEN,

I must always feel much diffidence, when I have not the satisfaction of agreeing in opinion with the majority of this Court, as on the present occasion, in regard to the question relative to the private Creditors of the Nabob of the Carnatic. That diffidence would prevent me from voluntarily hazarding my opinion on record, did I not feel myself in duty bound, so to do, when the question is of such magnitude. This, I trust, will apologize for the disagreeable necessity I am under, of entering a dissent to the report of the Court on Wednesday last.

As I have not had occasion to look into the papers, since the 11th of June; but had at that period, after long research into the records, close investigation, and mature deliberation, made up my mind completely upon the subject, I shall trouble you with
the

the annexed copy of a paper which I then had the honor of submitting to your Committee of Correspondence, as containing, according to my judgment, the prominent features of the case.

That I might be satisfied of my having made no mistake in regard to the facts, as quoted from the records, being correct, I directed the Auditor to investigate this point, which I find, by his signature to the paper, he has done.

The paper thus referred to, terminates with two questions, which seemed to me to grow out of the second treaty of 1787, and which occasioned the whole derangement: on these two questions, I still think that the matter in dispute solely hinges.

To the first question, *viz.* "Whether the private Creditors should, during peace, have had the priority given to them in the treaty of 1785; or whether the Company should have had the priority in the increased subsidy of five lacs in 1787." My answer is—There were three parties included in the treaty of 1785, who were separately consulted on these parts of it, in which they were respectively interested; and, in regard to which, they all agreed as in that treaty. Now it is my decided opinion, that neither of these parties could afterwards, without direct breach of treaty and good faith, essentially trench on the rights of either of the other, without such other giving previous consent.—That part which concerned the private Creditors, was furnished to them; but it does not appear, that they were acquainted with the preamble which was afterwards given to it, of preliminary articles; or that there prevailed any idea of a future treaty ever being likely to affect their interests: indeed almost every letter afterwards from the Court, seems to express their resolution for keeping, inviolable, that part of the treaty which concerned the private Creditors.

The Company's great political interests might occasion many alterations being necessary to be made in that treaty, as to their affairs; but I really cannot trace from the records, any appearance of its ever having been in contemplation while that treaty was discussing, or until Sir Archibald Campbell made the new treaty in 1787, that the interests of the private Creditors should be altered by any future treaty. But even admitting, for argument sake (for I cannot otherwise grant such admission) that the interests of the Creditors were meant to be affected, in general, with other interests, could this authorize any one of the parties, without consent of the other, to annihilate entirely the rights of the Creditors, and leave them not a single pagoda? I lay it down as a fixed principle, that the spirit of this treaty, and of all other treaties, must provide

for

for the defence of the country, in the first instance: but I cannot admit in the present case, that in good faith, the original sum which was allotted for the Nabob to allow for the part that the English took in the defence of the country, was to be doubled, in any new treaty, to the direct injury of these Creditors, and this merely by the arbitrary imposition of one of the parties, without the consent of either of the other parties, whose interests were absolutely destroyed by it.

In the original treaty, four lacs of pagodas were fixed as the peace-subsidy between the Nabob and the Company; but in the second treaty, the four lacs were increased to nine by one party, directly contrary to the interest, and of course the inclination, of all the others who were parties to the former treaty. In other words, more properly speaking, the sixteen lacs which were allowed at the treaty of 1785, to be the greatest amount which the revenues of the Nabob could admit of being paid to the Company, inclusive of the five lacs to the Creditors, were increased to sixteen lacs, exclusive of the five lacs to the Creditors: and this, certainly, did completely exclude the Creditors; for if the whole to be spared from the Nabob's revenue was sixteen lacs, and the Company took it all, nothing could be left to the Creditors.

The Nabob's debt to the Company was undefined in 1785, as it ever has since. They said he owed them immense sums—The Nabob denied this; but agreed to pay them, until such debt was ascertained, eleven lacs of pagodas, of which the Company settled, that seven lacs should be placed under the head of public debts, and four to the defence of the Carnatic. It was of no consequence to the Nabob under what heads the Company placed this in their books, provided he was to pay no more than he could afford, *viz.* eleven lacs to them, and five to his private Creditors. Sir Archibald Campbell, however, wishing the Company well, but mistaking the powers of the Nabob, imposed a further tax upon the Nabob of five lacs, to be paid to the Company under the same head of defence of the Carnatic. From that day, the private Creditors' rights were completely cut up, as the Nabob's revenues could afford no more in 1787, than in 1785. In 1792, it would appear, that they had not increased, as the Marquis Cornwallis saw the necessity of reducing his payments again, to what they stood at in the original treaty; or say rather lower, or to 15,21,000 instead of sixteen lacs of pagodas. I have said that the Company's demands on the Nabob in 1785 were undefined, and that they had still continued, so these debts were disputed by him. The debt in question, for which the seven lacs of pagodas were to be paid them in the original treaty, was so much so, that they gave it up for the peshcush of Tanjore in 1788, and of course they had no farther claim on this account afterwards.

To the second question, *viz.* "Whether the Company should pay the Creditors in the two years of the war, out of the four-fifths of the Nabob's revenues; or whether the Nabob should pay them out of his future revenues?" I conceive this question still less complex than the former. If the Nabob had stood his share in the expence of the war, he undoubtedly should have had his proportion of the conquered countries; and, according to the spirit of all our former treaties with him, as also the present existing ones, I am very apt to think that (putting political views out of the question) he ought, in strict justice, to have been put in possession of a proportional share of the ceded countries, on his paying his proportional share of the expence of the war. On the great scale of politics, however, arbitrary measures, when of good tendency, may be deemed justifiable; and on this principle I conceive it was, that we, judging these ceded countries could be managed by us, far better for the comfort of the inhabitants and for the peace of Hindostan, than by the Nabob, very humanely kept the countries to ourselves; and, on his Highness demanding his proportion of the countries, he is answered by the Marquis Cornwallis in the following terms: "As these countries were obtained by the force of the Company's arms, and at their expence, the Marquis did not conceive that any share of them could be his Highness's right." It is impossible for me to conceive that the Nabob could, with any justice, after the above answer, be charged with any part of the expences of the war; and of course, whatever has been collected by us, during the time we had the countries in our possession, above the peace-subsidy of nine lacs of pagodas per annum, in my humble opinion, should be paid back to the Nabob for his Creditors; otherwise we should not only retain the amount for the peace-establishment, during the two years his country was in our possession, but also keep him from the excess which he would have paid to his Creditors, in conformity with the original treaty in 1785: this we have no excuse for, except the war, which, at another time, we inform him, when it suits our conveniency, was carried on at our expence. It was argued in Court, that the paragraphs proposed by the Right Hon. Henry Dundas, would involve the Company immediately in an expence of £.700,000 to go into the pockets of the private Creditors; and no arguments that were used, seemed to have any effect in doing away this opinion. The whole of this seemed to me misconception; for all that was proposed in regard to the Creditors was, "That what sums it appeared the Company had received, contrary to the original treaty of 1785, should be refunded to the Creditors, and that the Company, instead of them, should wait for the repayment (according to the present settlement by Lord Cornwallis's treaty) from the Nabob." If the treaty of 1785 was a good one, this was nothing but common justice, and did not

take a single shilling from the Company that belonged to them. As to the large sum of ten lacs of pagodas and interest, or whatever might have been the excess during the two years the Company were possessed of the Nabob's revenues, above the peace-establishment of nine lacs of pagodas per annum, it was entirely a question between the Company and the Nabob, and could put nothing into the Creditors' pockets, as they must be paid, at all events, either by the one or the other, unless the expediency of an earlier payment could be deemed such.

I beg pardon for troubling the Court with such a long paper as this, upon a subject already so much discussed, and have the honor to remain, with much respect,

GENTLEMEN,

London,
11th November, 1795.

Your very obedient humble servant,

(Signed) D. SCOTT.

The Act of the 24th Geo. III. cap. 37, enacted, " That the Court of Directors
" shall order their servants abroad to investigate the respective debts, and to establish,
" in concert with the Nabob, such a fund for the discharge of those debts which shall
" appear justly due, according to their respective claims of priority, as shall be con-
" sistent with the rights of the Company, the security of the private Creditors, and the
" honor and dignity of the Nabob."

The Court, in compliance with the act, sent authority for the above purpose to their Presidency of Madras, with specific instructions approved by the India Commissioners; they therein direct, " That twelve lacs of pagodas, as voluntarily proposed by
" the Nabob, be received into their treasury annually, and that foudar security be
" taken for the same; but, say they, think it their duty, as well to the private Credi-
" tors, whose interests in this respect have been so solemnly entrusted to them by the
" late act of Parliament, as from regard to the debt due to the Company, to reserve
" to the Company their right, in case of short payments, to demand additional security
" by assignments on the Nabob's country."—The said twelve lacs of pagodas they order to be disposed of in the following manner:

" First.

{ 9th Dec.
1784.

Par. 26.

Par. 28.

- Par. 91. " First. To the growing interest of the cavalry loan, at twelve per cent."
- " Second. To the growing interest on the debt of 1777, at six per cent. the interest at twelve per cent. until 1781, but now ordered to be reduced as above."
- Par. 92. " Third. The remainder, half to the extinction of the Company's debt, half to the growing interest and principal of the ten per cent. debt of 1767.
- Par. 94. " Fourth. After the debt of 1767 was discharged, the application of the twelve lacs was to be as follows :
- " First. To the interest of the debt of 1777, at six per cent. and the remainder to be divided equally thus :
- Par. 95. " Half to the interest and principal of the cavalry loan ;
- " Half to the discharge of the Company's debt.
- Par. 96. " Fifth. When the cavalry loan was discharged, then seven lacs to the Company's
- Par. 97. " debt :—Five lacs to the private Creditors of 1777.
- Par. 98. " Sixth. And when the Company's debt was discharged, the whole twelve lacs to go to the private Creditors of 1777.
- Par. 102. " If the Nabob was deficient in payment of these twelve lacs, the Creditors to receive according to these proportions.
- " The Court, in the said letter, expressly order, that if any person refuse his acquiescence to this arrangement, they shall not only be excluded from receiving any share of the fund, but shall be prohibited from taking any separate measures to recover his debt ; and if refractory, or disposed to disturb the arrangement, they shall be dismissed the service and sent home."
- Par. 29. They direct the execution of the above to be made by a formal deed between the Nabob and the Company, according to the tenor of their instructions.
- June, 1785 These arrangements, with the Court's orders, were published at Madras by the Governor and Council, who called on the private Creditors for their acquiescence.
- In June }
28, 1785 } The Treaty was executed, and was called in the preamble, Preliminary Articles of Agreement. The respective debts being afterwards ascertained and acknowledged, the investigation was made by a Committee appointed by the President and Council, attended

tended by two persons deputed from each class of the Creditors, and by the Nabob Certificates were then endorsed, on each bond, and acquiescence was given in the fullest manner by the Creditors in all these loans. Extensive districts of the Nabob's territory were assigned by the Nabob to the President and Council, as trustees, for the punctuality of the annual payment of twelve lacs, specified in the agreement.

The security being thus established and the agreement settled, with the concurrence of all parties, a register and transfer Office was instituted.

The Court approve of the provisions &c. made in the agreement; but say, "they consider them as merely preparatory to the final arrangement ordered the 9th December, 1784." { In April 1786.

A treaty was made by Sir Archibald Campbell, the last article of which is, "It is further stipulated, that the said articles of agreement, dated the 28th June, 1785, as far as relate to the discharge of the debts of His Highness the Nabob, shall be and continue in full force and virtue." { In Feb. 1787.

The Court approve of Sir Archibald's treaty, and repeat their approbation of the former arrangements for distribution of the twelve lacs, adding, "After a full and attentive consideration of the subject, we think ourselves bound to hold inviolable the arrangements made by us as to the Creditors, in our letter of the 9th December, 1784." { 31st July 1787.

By Sir Archibald Campbell's treaty, the subsidy to the Company was raised to nine lacs of pagodas from four lacs, which raised the annual payments of the Nabob to twenty-one lacs of pagodas; an amount, for the payment of which, as has since appeared under the management of the Nabob, his countries did not furnish funds. In 1787.

Although territories were regularly assigned to the Company, specifically to answer a failure in the payments for these debts, yet they were not recovered upon.

General Medows took possession of the whole of the Nabob's territories, and of the assigned countries of course amongst the rest, and the Company continued in the collection of the revenue for two years. They were afterwards returned by Lord Cornwallis, and the assigned countries also. In 1790. 1792.

Lord Cornwallis makes a new treaty, in which the Nabob's debts to the Company, on account of the war, if he thought any existed, are unnoticed; but pagodas 6,21,000 are stipulated for the future annual payment to the Creditors. { In July 1792.

The Nabob, after Lord Cornwallis's treaty, desires to have his share of the countries ceded by Tippoo Saib. Lord Cornwallis's answer is, "As these countries were obtained by the force of the Company's arms, and at their expence, he did not conceive that any share of them could be His Highness's right."

According to the original treaty in 1785, the Nabob was to pay only sixteen lacs in all; of which, four lacs were first to be paid for subsidy, and then twelve to his public and private Creditors.

Of those twelve lacs, the interest on the cavalry loan, at twelve per cent. was to have the priority, being 83,000 pagodas, and the interest to the present Creditors, being 3,29,910 pagodas, stood next in priority.

Other dispositions appear, when the cavalry loan and debts of 1767 should be liquidated; but the interest of pagodas 3,29,910 always stands first: and as soon as the above two debts were liquidated, the present Creditors were to receive five lacs annually.

The increased subsidy by Sir Archibald Campbell, seems to have deranged the payment of twelve lacs to the Creditors; and two questions appear to arise out of this. The first, between the Company and the Creditors, and the second, between the Company and the Nabob.

First. Whether the private Creditors should, during peace, have had the priority given to them in the treaty of 1785; or whether the Company should have had the priority in the increased subsidy of five lacs in 1787.

Second. Whether the Company should pay the Creditors in the two years of the war, out of the four-fifths of the Nabob's revenues, or whether the Nabob should pay them out of his future revenues.

East-India House, 11th June, 1795.

(Signed) D. SCOTT.

THE state of the case, on the subject of the claim of the Nabob's creditors, is so fully before the Court, that it is not necessary for me to detail any part thereof. I am of opinion with the Deputy Chairman and Mr. Bosanquet, that the Nabob cannot with justice be charged with the payment of any part of the expences of the late war with Tippoo, of course whatever has been collected above the amount of the peace subsidy, during the time the countries were in our possession, should be paid back to the Nabob for his creditors.

Impressed with this idea, I feel it incumbent to record this my dissent, lamenting, at the same time, that I should differ from those with whom I have the honor to sit.

(Signed)

JOHN ROBERTS.

12th November, 1795.

To the Honorable the Court of Directors of the East-India Company.

GENTLEMEN,

It will always be a matter of much concern to me, to differ from a large and respectable majority of the direction: but differing upon any point of considerable importance, I have always thought it a duty incumbent upon me, to record my sentiments. I must therefore request that my opinion (offered with deference as it is) respecting the votes lately adopted by the Court, on the subject of the debts of the Nabob of Arcot, may be permitted to stand upon the records of the Company.

By the Act of the 24th Geo. the 3d, cap. 37, the Court of Directors were enjoined to investigate the debts due by the Nabob of Arcot to private persons, and in concert with him, to establish such a fund for the discharge of the same, as should be consistent with the rights of the Company, the security of the private Creditors, and the honor and dignity of the Nabob.

In consequence of this injunction, the Court of Directors, by their letter of 9th December, 1784, directed twelve lacs of pagodas, voluntarily tendered by the Nabob, to be received into their treasury at Fort St. George, and to be appropriated, in certain specific proportions, to the liquidation of the sums due by His Highness to the Company and to private persons. They added, that if any Creditors of the Nabob, servants of the Company, or being under their protection, should refuse to express their acquiescence in these arrangements, they should be precluded from receiving any share of the fund, and prohibited from taking any separate measures to recover their debts; and if found refractory, or disposed to disturb the arrangement, they should be dismissed the service and sent home.

Upon the receipt of this letter, preliminary articles of agreement were settled in June, 1785, between the Nabob and the Governor and Council of Fort St. George, in which articles it was stipulated, that four lacs of pagodas should be paid annually to the
Company,

Company, as a military peace subsidy from the Nabob, until a final arrangement should be made; and assignments were taken of certain parts of the Nabob's country, as a security for the payment of the twelve lacs intended for the extinction of his debts.

In February, 1787, the final arrangement alluded to in these articles, was made by Sir Archibald Campbell with the Nabob, who taking a view of the whole of the Company's standing military expences, rated the Nabob's share of them at nine lacs of pagodas per annum, which he stipulated should be paid to the Company, instead of the four lacs settled by the preliminary articles. He also made certain provisions in case of war, reserving, in such an event, the whole of the Nabob's revenues to the Company, beyond the support of His Highness's household, which he rated at one-fifth of the whole, and to the discharge of any debt that should be incurred by the war.

The Nabob's payments being thus raised from sixteen to twenty-one lacs per annum, an arrear immediately accrued upon them.

In 1790, the war commenced with Tippoo Sultan; and General Medows finding the Nabob dilatory in his payments, in consequence of the treaty of 1787, seized the administration of the Carnatic, and collected the revenues thereof. The whole of the revenues so collected, were appropriated to the purposes of the war, and the payment to the Creditors entirely stopped for two years, whilst the country was so held.

At the end of this period, Lord Cornwallis restored the Nabob to the possession of his power, and made a fresh treaty with him, which bears date July, 1792. By this treaty no debt is supposed to be due by the Nabob on account of the war. The nine lacs, as a military peace subsidy to the Company, is continued, and 6,21,000 pagodas allotted as an annual provision for the extinction of his private debts. But it is to be noticed, that Lord Cornwallis, upon an application from the Nabob for a share of the country ceded by Tippoo Sultan, returned the following answer:

“ I have considered the claim which your Highness made to a share of the territory
 “ acquired by the united forces of the Company and their Allies; however, in consequence of the intimate connexion between your Highness and the Company, the
 “ possession of parts of the newly acquired territory by the Company, serves as a
 “ defence to your Highness's dominions, equally with the Company's, for which purpose they were selected at the conclusion of the war. Yet as they were obtained by
 “ the force of the Company's arms, and at their expence, I do not conceive that any
 “ share of them can be your Highness's right. Although the Company have obtained
 “ a tract

“ a tract of country from Tippoo Sultan, who also stipulated to pay a considerable sum
 “ of money, yet the war has involved the Company in a heavy debt, as well as ab-
 “ sorbed a vast proportion of the revenues of their several possessions in India; and not-
 “ withstanding your pecuniary engagements by treaty, Your Highness will recollect,
 “ that at the commencement of the late war, the payments from Your Highness were
 “ almost wholly with-held, and it would have been impossible for the army to have
 “ kept the field, but by the exertions which were made from the resources of Bengal.
 “ If Your Highness will be pleased to consider these circumstances, I am persuaded
 “ that you will be sensible, that there can be no just foundation for your present
 “ claim.”

The object of the intended paragraph to Fort St. George, sent down by the Presi-
 dent of the Board of Controul, is (as I understand it) to set up afresh the preliminary
 articles of 1785, in favour of the private Creditors, and to oblige the Company to
 account with them for all the sums received from the Carnatic, contrary to these
 articles.

It is, therefore, in the first place, to be considered, whether these articles did or
 did not leave the Company at liberty to increase the Nabob's military subsidy, from
 four to nine lacs of pagodas?—If they did not, the Creditors are most indisputably en-
 titled, not only to the principal of the sums received by the Company, but also
 to the interest thereon; and can moreover justly claim not 6,21,000 pagodas, but
 twelve lacs per annum, which was to come to them as soon as the Company's debt was
 extinguished: for the same right that could bar the definitive treaty of 1787, would
 also defeat that of 1792. If the preliminary articles did leave the Company at liberty
 to take from the Nabob a sum equivalent to the defence of the Carnatic, previous to
 the discharge of the arrangement made for his debts, then the only question that can
 arise is, whether nine lacs was a sum fairly and properly proportioned to this ob-
 ject.

Few, I believe, who will take the trouble to read the correspondence of the
 Court of Directors, and examine the acts of their servants at Fort St. George, will doubt
 that it was always intended to make the defence of the Carnatic, as connected with the
 general military arrangements of the Company, take place of every other outgoing.
 No person can deny, that this point was a very principal and very material part of those
 rights of the Company, to which, by the very words of the act of the 24th Geo. the 3d,
 the debts were to be subordinate. And though the Court of Directors did make use

of intemperate expressions in their dispatch of 9th December, 1784, (though such as under all the circumstances of the case perhaps might well be justified) it would certainly be an over-strained interpretation of those expressions, to make them give rights to the Creditors, contrary to the principles of substantial justice.

I therefore conclude, that as the calculations made by Sir Archibald Campbell, relative to the fair proportion of the Nabob's military expences, has not been impeached, and as the military-peace subsidy of the Nabob has been continued by Lord Cornwallis at nine lacs, the private Creditors who received their fair proportion of the sums that came to the Company's hands, beyond the above nine lacs, until the year 1790, can have no well-founded claims upon the Company until that period.

But it must be recollected, that as soon as the war with Tippoo broke out, or soon after, the whole of the revenues of the Carnatic were, conformably with the treaty of 1787, seized to the Company's use, this appropriation of these revenues for the two years during which they were held, as well as for a longer period, until the Nabob's share of the expences of the war should be discharged, might undoubtedly have been justified by the Company by the treaty of 1787, to the entire exclusion of the Creditors. But this treaty placed the Nabob upon the footing of an ally, in which light (whether justly or not, makes no part of the present enquiry) Lord Cornwallis, upon motives of sound policy, refused to consider him, or to permit him to share in the conquests made from the enemy.

It has been the practice, not to be tender of the Nabob's purse, who is dependent altogether upon the Company, but to his Creditors, whose rights have been entrusted to the Company by the Legislature; a different measure of justice may perhaps be thought due. Whatever may have been the origin of these debts is nothing to the present question; they have been placed in a state of liquidation; and thereby recognized as just debts:—his does not entitle them to favour but to justice.

The Company have made their option, in regard to the light in which they consider the Nabob, respecting the late war. They cannot justly make him contribute to the expences of a war, in which they declare he had no share. Between a defensive and offensive war, it is impossible for them to draw the line.

I therefore conclude, that the Company ought to consider themselves as having taken the revenues of the Carnatic, during the war, and appropriated them to their use, under a state necessity that supercedes every other consideration; but that after deducting
the

the peace subsidy of nine lacs, they are bound to account with the Creditors of the Nabob for their proportion of the remainder; and that they ought, in justice, to consider themselves as having borrowed this money of them.

Decided as the Court appear to me to be, to object to any payment whatever to the Creditors, and determined as the Right Honourable the President of the Board of Control seems to consider the preliminary articles of 1785, as completely binding upon the Company, it would be needless for me to trespass any further upon the Court's indulgence; and it only remains for me to express my regret at being obliged, after the most mature consideration, to differ from them both.

I have the honour to be,

GENTLEMEN,

Your obedient Servant,

Broxbornebury,
November 10th, 1795.

(Signed) JACOB BOSANQUET.

AT A COURT OF DIRECTORS,

Held on Tuesday, the 22d of December, 1795.

A letter from the Right Honorable Henry Dundas, dated the 21st instant, was read; stating his reasons for not being inclined to alter the paragraphs transmitted to the Court in his letter of the 28th July 1794, relative to the settlement with the private Creditors of the Nabob of Arcot, in the consolidated debt of 1777; and that if the Court do not adopt the proposed paragraphs, it will be his duty to submit them to the consideration of the other members of the Board for the Affairs of India; and that if they concur with him in opinion, the paragraphs will be sent to the Court in the regular course.

And

And the Court having deliberated on the said letter,

It was, on the question,

Resolved, That this Court see no reason to depart from the sentiment expressed in their letter to the Right Honorable Henry Dundas, of the 5th ultimo.

To the Court of Directors of the East-India Company.

GENTLEMEN,

I have deliberately considered the arguments contained in your letter, dated 5th instant, and the objections which you have stated to the paragraphs transmitted to you in my letter dated 28th July 1794, relative to the settlement with the private Creditors of the Nabob of Arcot in the consolidated debt of 1777.

And though my opinion of the fairness of the arrangement proposed in those paragraphs remains unaltered, I cannot, consistently with the respect which I feel for your Court, avoid making some remarks on the cause of the difference in the sentiments which we entertain; and which, I doubt, is of a kind that cannot easily be removed.

I have uniformly been of opinion, that the agreement entered into in 1785, between your Presidency at Madras, the Nabob of Arcot, and the private Creditors of the Nabob, in obedience to the directions given in your letter dated 9th December 1784, and in pursuance of an Act of Parliament, did establish rights which could not be altered without the consent of all the contracting parties in that agreement, I consider the East-India Company to be even more positively and sacredly bound, than the other parties, to a rigid fulfilment of the covenants in that agreement, on account of those covenants having been dictated by themselves; of the compliance with them on the part of the Creditors having been in some degree enforced by threats of dismissal from their service in case of refusal, and of the rights of those Creditors having been solemnly entrusted to their care by a special Act of Parliament.

Agreeably to this opinion, I consider all the new conditions in the treaty of Sir Archibald Campbell, or of Lord Cornwallis, with the Nabob, by which the amount of the payments to those Creditors were to be altered or postponed without their consent, to be so many infringements of their rights; infringements which the great inter-

rests of the Company and the safety of the country under their government rendered matter of necessity, and which, on that account, had my full approbation.

But though I approved or advised those measures, as measures of inevitable necessity, it surely cannot be argued from thence that you are not bound to do justice in terms of your agreement, and make reparation for the breach of it, when you have got into a condition to be able to do it. After what I have said, it is scarcely necessary for me to observe, that all the quotation you give from your correspondence with your Government of Madras, are nothing to the present question, according to my views of it. These quotations are perfect proofs that you found it necessary to deviate from the terms of the agreement which had been made, but they surely are no proof of your right to make that deviation: and I beg again to observe, that it is on that point I have the misfortune radically to differ from the reasoning of your letter; in which there is not a single example of any alteration on that agreement in 1785, to which the Creditors have given their concurrence.

I cannot agree to make the alteration which you proposed in the last part of the paragraph, in which it is said, that the payment agreed by Lord Cornwallis to be made to the Creditors in the consolidated debt of 1777, should not hereafter be with-held on any account whatever. These Creditors, if they had insisted on their rights to their full extent, would soon have been entitled to twelve lacs annually, having consented to accept of a lesser payment for the accommodation of the Company, they had a right to expect more positive assurance that the payment would not be with-held, except in such a case of necessity as would again justify any freedom that might be used with their rights for the general safety, freedoms which will not be complained of, if the Company shall, in its conduct, be uniformly just in making fair retribution.

These are sentiments by which I must continue to be guided, if you, upon deliberate consideration, remain of opinion, that the Company were entitled, of their own authority, to make alterations on the agreement in 1785, without the consent of the Creditors. You will act accordingly, but your own candour will feel how impossible it is for me to be a party in a transaction, which I consider as perfectly unjust; and therefore, if you do not adopt the proposed paragraphs, it will be my duty to submit them to the consideration of the other members of the Board, and if they concur with me in opinion, they will be sent to you in the regular course.

I have the honor to be, GENTLEMEN,

Your most obedient humble Servant,

HENRY DUNDAS.

Whitehall,

21st December 1795.

AT A COURT OF DIRECTORS,

Held on Tuesday the 5th January, 1796.

A LETTER from Jacob Bosanquet, Esq. a member of this Court, dated the 2d. instant, stating his remarks on the letter from the Right Honorable Henry Dundas, dated the 21st December last, respecting the claims of the private Creditors of the Nabob of Arcot, was read.

GENTLEMEN,

I have considered, with every possible attention, the letter of 21st December last, received from the Right Honorable the President of the Board of Commissioners for the Affairs of India, respecting the claims of the private Creditors of the Nabob of Arcot.

As the Court have thought proper to confine themselves to a simple confirmation of their former resolutions, (in which resolutions I did not concur) I hope I may be permitted, on this occasion, to record my individual answer to the arguments contained in the above-mentioned letter.

The Right Honorable the President of the Board of Commissioners for the Affairs of India begins by stating it, as his uniform opinion, that the agreement of 1785 did establish rights which could not be altered, without the consent of all the contracting parties to that agreement, and that the Company, who have dictated the covenants of that agreement themselves, and had enforced a compliance with them by threats, were more positively and more sacredly bound than the other parties.

To this opinion in its fullest extent I subscribe. But one very material point seems entirely to have escaped the notice of Mr. Dundas upon this occasion, which is, that the agreement of 1785 does not either directly or indirectly establish rights on the part of the Creditors, to the extent to which (I understand) it is in the contemplation of the Right Honorable Secretary to charge them upon the Company.

The first article of the treaty of 1785 is as follows :

“ His Highness the Nabob agrees to pay his proportion of the current charges
“ as stipulated by the Company, to be finally settled by treaty, between His Highness
“ the Nabob and the Governor and Council of Madras, agreeably to the late orders

“ of

“ of the Company, dated the 9th December, 1784;—until the exact proportion can
 “ be ascertained, His Highness consents to consider it at four lacs of pagodas per
 “ annum.”

The interpretation constantly put upon this article by the Governor-General, the Court of Directors, and the Board of which Mr. Dundas has been so long President, will appear most clearly by the third paragraph of the Political Letter to Fort St. George, dated 5th March, 1790.

Para. 3. “ We have given due attention to every thing that has passed between
 “ your Government and the Committee, for the three classes of the Nabob’s debts,
 “ as referred to in these paragraphs, and in your subsequent advices. We have also
 “ perused the proceedings of the Government General upon the same subject.

“ It would have given us pleasure, if we could have avoided coming to any deci-
 “ sion upon the points so warmly agitated between our Government and the Committee
 “ of the Nabob’s Creditors ; and we hope the arrangements directed by us, in our
 “ letter of the 28th August, 1788, will supercede any necessity for applying the prin-
 “ ciple of the decision we are about to give, to any existing case. But since the
 “ subject has been treated with so much intemperance by the Committee of Creditors,
 “ and so much trouble has thereby been created to our Governments abroad, we
 “ should deem ourselves wanting in justice to them, were we to withhold an explicit
 “ declaration of our sentiments on the subject. We concur entirely in the opinion so
 “ ably declared in Lord Cornwallis’s Minute of the 4th June 1788, of which we now
 “ forward a copy, and we cannot better express that opinion than in his own words.
 “ That the Act of Parliament, when it directed the establishment of a fund for the
 “ discharge of the demands of the Creditors, made it subservient to the rights of the
 “ Company. That the rights of the Company are primarily and necessarily the safety
 “ and protection of their territories. That the Court of Directors, although they
 “ connected the stipulations for the Creditors with the arrangements prescribed for the
 “ defence of the Carnatic, considered the latter as the primary obligation to which, in
 “ cases of necessity, all others must give way. That the agreement and treaty con-
 “ cluded with the Nabob, must be considered as one instrument only, of which the
 “ former is the commencement, and the latter the conclusion. That the treaty entered
 “ into is conformable to the prescription of the Act, and to the orders of the Court
 “ of Directors ; and that it has been formed upon fair and equitable principles, whether
 “ considered as relating to the contracting parties, or with regard to the revenues of
 “ the

"the Nabob." "Upon the whole therefore, (still following the opinion of the Governor General in Council) we make no hesitation in declaring, that the sum which the Nabob is to pay for the defence of the Carnatic, upon a peace-establishment, should be paid in preference to all other demands, and that the deficiency, whatever it may be, should fall upon the sum appropriated to the discharge of the Nabob's debts."

By these two extracts, it appears to me ascertained, beyond all doubt, that the Company (so far from abandoning) have always expressly reserved to themselves a right to render the debts of the private Creditors of the Nabob subservient to the defence of the Carnatic; that Mr. Dundas has himself acknowledged this right, independent of any state necessity which supposes a restitution, and that the Creditors moreover took the agreement of 1785, subject to these avowed conditions.

That the Nabob should be liberated from the payment of any part of the expence of a war, in which the Company has declared that he had no share, appears to me to be perfectly just: but I cannot understand, upon what principle of justice, or under what colour of reasoning, the Company are to be deprived of a right which they have expressly reserved to themselves, and which every principle of fairness supports, *viz.* that the military expences of the Carnatic, whether disbursed by the Company or the Nabob, should supersede every other payment from its resources.

If, indeed, it should be made out, that *nine lacs* is a sum more than equivalent to the military disbursements of the Company for the defence of the Carnatic, the Creditors may fairly seek, and would be entitled to relief: but no argument, whatever, has been directed to this point; and the treaties of Sir Archibald Campbell and Lord Cornwallis, remain hitherto, upon this head, unimpeached.

I have the honor to be,

GENTLEMEN,

Your very obedient humble servant,

London,

(Signed)

JACOB BOSANQUET.

Jan. 2d, 1796.

AT A COURT OF DIRECTORS,

Held on Wednesday, the 13th January, 1796.

A letter from Mr. Brodrick, dated this day, signifying that he is ordered by the Board of Commissioners for the Affairs of India, to transmit, for the information of the Court of Directors, the draft of a dispatch, relative to the private Creditors of the Nabob of Arcot, which the Board direct shall be forwarded to the Presidency of Fort St. George, by the first opportunity.

The said Dispatch was then read;

And the Court taking the same into their serious consideration,

It was, upon the question,

Resolved, That a representation be made to the Right Honorable the Board of Commissioners for the Affairs of India, requesting their reconsideration of the subject, and expressing the hopes of this Court, that they will be pleased to alter their orders in this respect.

And the draft of a representation being read, the same was approved.

To the Right Honorable the Board of Commissioners for the Affairs of India.

MY LORDS and GENTLEMEN,

The Court of Directors have received your Secretary's letter of this date, inclosing a draft of a dispatch to the Government of Madras, relative to the private Creditors of the Nabob of Arcot.

The orders which you have directed to be sent to Madras, on this subject, are as follow :

First, That the Company having found it necessary, in order to provide for the defence of the country, to take possession of the Nabob's territories, and to apply the revenues thereof to the expence of the war, and not to the annual payments to the Creditors, according to the directions of 1784, shall be considered as having borrowed the sums which should have been paid to the Creditors, prior to the treaty of 1792, agreeably to the arrangement of 1784.

Second, That these sums are—First, The interest on the debt of 1777, for two years, from August 1788 to August 1790, amounting to pagodas 6,59,820, being their

proportion of the twelve lacs, until the cavalry loan should be discharged.—Second, That as this last mentioned loan would have been discharged before August 1790, if the payments had been duly made, five lacs of pagodas per annum became due to the Creditors of 1777, which from that date, to Lord Cornwallis's treaty, will amount to ten lacs of pagodas.

Third, That these sums, with interest thereon at 6 per cent per annum, for two years, from August 1792, are to be paid by the Company in cash, or in bonds bearing interest at 6 per cent. from August 1794.

On these points, the Court have to observe, that as by the order of December 1784, paragraph 102, the payments to the Creditors were to be only in proportion to the actual receipts from the Nabob on their account; and as the Creditors did, in fact, receive their full proportion of all such actual receipts, prior to the commencement of the war with Tippoo, and on part thereof which had not been regularly paid them when due, an interest at the rate of twelve per cent per annum, for the time it was withheld; the Court are of opinion, that their claim for the first sum of pagodas 6,59,820, for interest on their debt for two years, from August 1788 to August 1790, is not well founded.

With respect to the claim for five lacs per annum, from 1790 to 1792, the Court beg leave to refer to the directions in the letter to Madras of the 9th December 1784, relative to the treaty to be entered into with the Nabob, for defence of the country during war, wherein it is expressly ordered, that a stipulation should be made for appropriating the whole of the revenues of the contracting parties to the war expences during the war, after reserving only so much thereof as might be necessary for the civil Government of the Nabob; and no part of those revenues was to be diverted to any other purpose than that of defraying the military expences, after the war; and so long as it should be necessary to discharge the burthens contracted by it, the appropriation of the revenues was to continue for that purpose.

In February 1787, a treaty was made by Sir Archibald Campbell with the Nabob. Particular stipulations were agreed on for securing the appropriations directed of the Carnatic revenues, during and subsequent to the war; while the war lasted, four-fifths of those revenues were applicable to the war expences; and after its conclusion, the same proportion was to be appropriated to discharge his Highness's proportion of the war debt, which he agreed by the treaty should be $\frac{2}{3}$ parts of the extra expences.

Such being the provisions made by the treaty of 1787, conformable to the orders

of 1784, the court are impressed with the fullest conviction, that, during war, and even for a considerable time thereafter, the Creditors cannot be considered as having any just claim for payments of their debts.

The principles of this treaty have been so often recognized and approved by the Court, and with the sanction of your Right Honorable Board, that they think it incumbent on them to solicit your attention to the following orders, from hence applicable to this point; requesting you to refer to the accompanying extracts for more complete information on the subject in general.

In the letter in the political department, of the 6th May, 1791, paragraph 33, the Court write as follows:

“ It may not be improper, however, to observe, that during the present hostilities, all payments to the private Creditors, both of the Nabob and Rajah, cease of course; the revenue of their respective countries being to be applied to the purposes of a vigorous prosecution of the war.”

In the letter in the same department, of the 4th August following, paragraph 17, the Court observe, “ The Creditors must have been aware, that their demands must, at all times, yield to the superior claim of defending and protecting the Carnatic, on extraordinary occasions.”

In the letter of the 19th September, 1792, paragraph 2, the Court write, “ Considering that the Nabob's revenues, notwithstanding the conclusion of the war, will, by treaty, remain under appropriation, until his proportion of the expences incurred thereby shall be completely discharged, and his arrears of subsidy liquidated.” And in paragraph 6—“ By the terms of the treaty, we are entitled to the exclusive receipt of all payments from the Nabob and Rajah, until the debts contracted in the late war shall be completely discharged.”

Lastly, in the letter of the 25th June, 1793, paragraph 10, “ Under the treaty of 1787, no sum should be carried to the debt of the Nabob, on account of his public and private Creditors, subsequent to the commencement of hostilities on the 8th January, 1790, when all payments on that account were to cease; nor must the Company be indebted or rendered accountable to the Creditors for any sum received since the 8th January, 1790, to the conclusion of the last treaty with His Highness by Lord Cornwallis, as no sum can possibly have been received, on that account, between those periods. Whatever was due from the Company to the Creditors, on
“ the

“ the commencement of the war, has already been liquidated by bonds bearing an interest of twelve per cent.”

Such being the provisions made by the treaty of 1787, founded on the orders of 1784 ; and the approbation of the principles of that treaty having been so repeatedly given in the instances quoted above, the Court submit to your Right Honorable Board their opinion, that no ground exists to justify a departure from those principles, in the manner that has been now proposed.

But it is not necessary, in the Court's opinion, to confine the view of the subject to former orders. Sound policy appears to them to dictate the measure of appropriating the whole resources of the country, for the purposes of its defence and protection, during war ; and it must be admitted, that the most valuable interests of the private Creditors were best secured by these means, the defence of the only source from which their claims could be hereafter liquidated, *viz.* the Nabob's territories, was of the utmost importance to them, and their permanent benefit was secured by a temporary suspension of the payments they would have had if peace had continued, and by diverting those payments to the general defence.

In a pecuniary view the Court beg leave to state, that the payments of ten lacs of pagodas, as proposed, will materially injure the Company. It appears from the accounts transmitted from Madras, that the net sum received as the four-fifths of the revenues of the Carnatic, while under the Company's management, from 1790 to 1792, amounted to twenty-seven lacs of pagodas, or $13\frac{1}{2}$ lacs per annum ; if five lacs are deducted from the latter sum for the supposed debt to the private Creditors, there will remain only half a lac per annum received from the Nabob above his lowest peace-subsidy (as agreed to be taken from him by the orders of August 1788), for his contribution towards the extra expences of the war ; the whole burthen of which, with this small exception, must therefore be borne by the Company. The Court conceive it could never be intended that the Nabob was not to furnish a larger proportion than this, and it must effectually overturn the provisions made by the Court's orders of 1784, and (in conformity to those orders) the treaty of 1787, if the Company are now to surrender so large a portion of the receipts from the four-fifths of the Nabob's revenues, expressly taken under the orders and treaty above-mentioned, for the purpose of defending his country.

The claim of the Creditors of 1777 to five lacs of pagodas per annum for 1790 to 1792, is further unsupported by the circumstance of the debt to the cavalry Creditors

tors not having been liquidated in that period ; until this was done, the former could only claim the current interest on their debt.

Having thus, we trust, shewn that the Creditors of 1777, have no just claim on the Company, upon either of the principles stated in the dispatch sent down by your Right Honorable Board, we offer it as our opinion, that they receive under the existing treaty much greater advantages than they had a right to expect by the former arrangements.

It is evident, that by the repeated orders already mentioned, and most particularly by the treaty of 1787, the private Creditors could not have been entitled to any payments on account of their claims, for a long period subsequent to the close of the late war, as four-fifths of the Nabob's revenues were to have been appropriated to discharge the stipulated proportion of the war debt, or in other words, the extra expences of the war, which being, according to treaty, twenty-five-fifty-one parts, would have amounted to £. 1,600,000 ; or, if the excess of the receipts from his country, in the two years the revenues were collected by the Company, above the lowest peace-subsidy, be deducted, to near £. 1,200,000.

The liquidation of this sum, must naturally have engrossed the whole of the four-fifths of the revenues of the Carnatic for several years, to the exclusion of the private Creditors, whereas by the treaty of 1792, they are immediately admitted to a participation to the full amount of pagodas 6,21,105 per annum.

We do not think it necessary here to discuss the probable reasons of the Noble Marquis, in making the present treaty, for omitting to notice therein the provision of the treaty of 1787, for discharging the Nabob's quota of the war expences ; for as such discussion must evidently rest upon conjecture, from the total silence of his Lordship on the subject, it can lead, we conceive, to no good or useful purpose ; suffice it to observe, that the benefit of the private Creditors is fully apparent from the omission, whatever be the consequence to the Company.

The Creditors are benefited in the sum they now receive ; for according to the arrangements of 1784, they were entitled to five lacs per annum only, so long as the Company's debt, on account of the former war, remained undischarged ; in the commutation of this debt for the Tanjore peshcush, by the orders of August, 1788, it was specially defined, that no alteration was thereby to take place with regard to the annual payments to the private Creditors ; the period is therefore yet far distant at which they

would, under the former arrangement, be entitled to more than five lacs per annum, but by the present treaty they are now in receipt of upwards of six lacs per annum.

It is necessary to observe, that in the event of paying the private Creditors the sums now directed, with interest, a further disadvantage will accrue to the Company in the doubt that may be reasonably entertained of the Nabob's acquiescence to the repayment thereof; it may be argued by His Highness, that the Company acknowledge that the amount received by them, during the time they held the management of his country, over and above the ordinary peace-subsidy, was received for the use of his private Creditors, otherwise that they would not now consent to consider it as borrowed from those Creditors, and repay it; consequently his private debts being by the measures proposed so far diminished, he may contend that his annual payments, by the present treaty, for his Creditors, should cease sooner than they would otherwise do, and the loss must, in that case, fall on the Company. At any rate we apprehend he may fairly object to repaying the interest proposed to be allowed the private Creditors, and alledge that the payment being made voluntarily by the Company, is at their risk, and he in no shape bound by their act.

But supposing the Nabob could be induced to consent to the repayment of the money now directed to be paid to the private Creditors, a considerable loss will arise to the Company in the long interval that must necessarily take place before such repayment can commence. For by the last of the proposed paragraphs it is stated, that the "Payment of the pagodas 6,21,105 per annum to the private Creditors of 1777, shall not henceforth be suspended on any account whatever, but shall be regularly made to these Creditors, until the debt due to them, with interest at 6 per cent. shall be fully paid." Now it is evident from hence, that it must occupy a considerable number of years to clear off the private debts, before which the Company cannot begin to receive back the sum proposed to be paid. The loss at simple interest, at 6 per cent. per annum, by paying this sum, either in cash or bonds, on the 1st June next (before which, it is presumed, the measures proposed cannot take place) will, for the time the Company may be thus supposed to be out of the money, amount to upwards of £.400,000.

We apprehend also, that if the measures proposed should be finally adopted, the Creditors in the cavalry debt will have an equal claim on the Company to be allowed interest on the part of their debt that remained undischarged at the breaking out of the war; and we confess we do not see how such claim could afterwards be rejected with
any

any shadow of reason; this, therefore, is a further disadvantage that the Company are likely to sustain.

The Court think it necessary to observe, that the Company have taken upon themselves the payment of the Nabob's debt to the new cavalry Creditors; and have, in fact, paid them to the amount of pagodas 7,20,934; for repayment of which no fund is hitherto provided, and the Company must await the complete liquidation of the debt of 1777 before they can expect such repayment; the sum for which they thus remain in advance, with simple interest thereon at eight per cent. per annum, is stated by the Madras Government to amount to no less than pagodas 18,74,429.

As it is impossible that the Treasury at Madras will be in such a state, on receipt of the proposed orders, as to admit the payment of so large a sum, or any sum nearly equal to it in cash, the alternative of issuing bonds at 6 per cent. would be resorted to, and a considerable loss must accrue to the Company by this measure. The late advices from thence state, that any sum of money could be procured for notes of Government at six per cent. with a premium of five per cent. for such notes; if the Government, therefore, issue to the private Creditors of the Nabob, notes or bonds to the extent of the present demands at par, the Company must lose, and the Creditors gain to the amount of pagodas 90,000.

We submit it further as our opinion, on the supposition that what we have here urged should not have the desired effect of preventing the adoption of the proposed measures, that it will be absolutely necessary to alter or modify the last part of the paragraph; by this no reserve is left to meet the possibility of a future war in the Carnatic, or the Nabob's revenues suffering defalcation, so as to render it impracticable for him to make good his present engagements; but the Company are bound to the annual payment of six lacs to the Creditors, without alternative.

But we rest confident, that on a full and deliberate consideration of all the circumstances, your Right Honorable Board will agree with us in opinion, that not only the Creditors of 1777, have no right to complain of injustice on the part of the Company, but that they do now, in fact, stand on a much better footing, with regard to the security of their demands on the Nabob, and the speedy liquidation of those demands, than by the former orders, and the treaty of 1787, they could possibly be; and as we trust we have shewn that the proposed measures would be highly injurious to the Company's rights and interests, we entertain sanguine hopes that your Right Honorable

Board

Board will be induced to wave your directions for sending out to India the paragraphs before us; and that the liquidation of the Nabob's debts to his private Creditors may proceed in its due course, under the existing arrangements for that purpose.

AT A COURT OF DIRECTORS,

Held on Wednesday the 20th January, 1796.

A letter from the Right Honorable the Board of Commissioners for the Affairs of India, dated the 18th instant, was read, stating that they have paid due attention to the Court's representation, respecting the private Creditors of the Nabob of Arcot, and see nothing therein stated to induce them to depart from the principles detailed in their former communication; stating their opinion, that the Company have no claim upon the Nabob for repayment of what, under the directions of the Board, the Company is now to pay to the Creditors; and that they wish now and hereafter to have it understood, as an inviolable principle, that the Governments in India never can, on any emergency, lay hold of the revenues of the Nabob's country, without being liable to discharge, punctually, those annual burthens to which the Nabob himself is liable; and adding, that they have conceived it expedient to issue the bonds progressively to the Creditors.

A note from Mr. Brodrick, dated the 18th instant, was also read, transmitting a copy of the proposed orders, relative to the private Creditors of the Nabob of Arcot; with the alteration alluded to in the above-mentioned letter from the Board, made on the margin in red ink.

The said amended dispatch was read;

And the Chairman laying before the Court, draft of a dispatch prepared by him, agreeably to the tenor of that now transmitted by the Board,

Resolved, That this Court approve the said dispatch, as prepared by the Chairman; and that the same be the dispatch of this Court, pursuant to the directions of the Right Honorable the Board of Commissioners for the Affairs of India.

*To the Court of Directors for the Affairs of the United Company of Merchants
of England, trading to the East-Indies.*

GENTLEMEN,

We have paid due attention to the representation you have laid before us, respecting the private Creditors of the Nabob of Arcot, and see nothing therein stated, to induce us to depart from the principles detailed in our former communication. There is, however, a part of your representation, to which we think it necessary more particularly to advert. You seem disposed to keep alive a doubt, whether the Nabob of Arcot is not bound to repay to the Company what, under our directions, the Company is now to pay to the Creditors. We think it proper, explicitly to declare, that we entertain no doubt whatever on that subject:—we hold it to be clear, that the Company have no such claim:—the whole of our opinion, on the subject, rests upon a foundation incompatible with such a claim. The principle of protecting the Nabob from unfounded claims, forms an essential ingredient in the whole of our reasoning on the subject; and we wish now, and hereafter, to have it understood, as an inviolable principle, that your Governments in India never can, on any emergency, lay hold of the revenues of the Nabob's country, without being liable to discharge, punctually, those annual burthens to which the Nabob himself is liable.

There is, however, one point, on which we think it material to give a greater latitude, in point of time, to your Government of Madras, as to issuing the bonds to the Creditors. The Company's promissory notes are now at a considerable premium.—It has occurred to us, that if so large a number of bonds were to be issued at once, it might be injurious to the credit of those notes now in circulation, and for that reason, we have conceived it expedient to issue the bonds, progressively, in a manner not injurious to the Creditors.

*(Signed, by order of the Board of Commissioners
for the Affairs of India.)*

Whitehall,
18th January 1796.

W. BRODRICK.

DRAFT TO FORT ST. GEORGE, relative to the Private Creditors of the
NABOB of ARCOT.

1. IN a late dispatch, we gave you directions for the liquidation of the debts owing by the Rajah of Tanjore to his private Creditors. At the same time, we proposed to take into consideration the more considerable claims of the Creditors of the Nabob of Arcot; and we now transmit to you, the terms of an agreement which we have made with the agents of those Creditors, and we authorize and direct you to carry the same into effect.

2. The debt to the Creditors in the cavalry loan is, we presume, already discharged; and therefore our present directions extend only to the claims of the Creditors in the consolidated debt of 1777, with the agents for whom we have made the following arrangement and settlement.

3. That as the Company found it necessary, in order to provide for the defence of the country, to take possession of the Nabob's territories, and to apply the revenues arising from them to the expence of the war, and not to the payment of the sums which became annually due to His Highnesses's private Creditors, according to the agreement made between the Company and them in December 1784; we have agreed, that the Company shall be considered as having borrowed the sums which ought to have been paid to the Creditors, prior to the treaty of peace made by Lord Cornwallis, which money shall now be accounted for, agreeably to the arrangement in our letter of 9th December, 1784. Those sums appear to be as follow :

4. First, The interest on pagodas 54,98,500, the principal due to those Creditors at 6 per cent. for the two years from August 1788 to August 1790, being pagodas 6,59,820, which interest is the share of the twelve lacks of pagodas per annum which they were entitled to receive by the orders in our said letter of 9th December 1784, until the cavalry loan shall be discharged.

5. Secondly, as this latter loan would, if the payments to the Creditors had been duly made, have been discharged before 31st August 1790, five lacs of pagodas became annually due to the Creditors in the debt of 1777, which, for two years from that date, (the date of Lord Cornwallis's treaty made in July 1792) amounts to pagodas 10,00,000, making together pagodas 16,59,820. On this sum, or such amount as

shall be found due on these principles, it is agreed, that interest at 6 per cent. shall be allowed to the Creditors from August 1792, being the month after Lord Cornwallis's treaty was made; which interest on the above sum, amounts to pagodas 1,99,198 for two years to the 31st of August next, making together, pagodas 18,59,018. This sum, or such other amount as shall, on the principles here laid down, be found due to the Creditors, we have agreed that your Government shall discharge, either by cash, or by bonds bearing 6 per cent. interest from 31st August 1794. But in order to prevent the inconvenience which might arise from so large a quantity of bonds being issued immediately, we direct that they be issued progressively, in such proportions as to prevent the market from being overstocked, and the value of your bonds in general, thereby reduced from bearing a premium, to be issued at a discount.

6. To prevent our orders on this subject from being misunderstood, we send a statement, No. 1, containing the debt which we suppose will be found due by the Company to the Creditors, on the 31st August, 1794, in the consolidated debt, according to the arrangement we have mentioned; and a statement, No. 2, shewing the amount of what will remain due by the Nabob to those Creditors, after the bonds we have mentioned shall be given, and after the kists for two years, payable to the Nabob, according to Lord Cornwallis's treaty, shall have been paid to them.

7. We have also agreed, that as the payments which the Nabob was bound to make in every year to his Creditors have been, for the accommodation of His Highness, reduced from twelve lacs of pagodas to 6,21,105 pagodas, the payment of the said 6,21,105 pagodas to the Creditors in the consolidated debt of 1777, shall not, henceforth, be suspended, on any account whatever; but shall be regularly made by those Creditors, until the debt due to them, with interest at 6 per cent. shall be fully paid.

POLITICAL DEPARTMENT.

Our President in Council at Fort St. George.

Par. 1. In a former dispatch, we gave you directions for the liquidation of the debts, owing by the Rajah of Tanjore to his private Creditors; at the same time we intimated our intention to take into our consideration, the more considerable claims of the

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the Creditors of the Nabob of Arcot; and we now transmit to you our directions on this subject.

2. As the debt to the Creditors in the cavalry loan is already discharged, our present directions extend only to the claims of the Creditors in the consolidated debt of 1777.

3. As the Company, under the conditions of the treaty of 1787 found it necessary, in order to provide for the defence of the country, to take possession of the Nabob's territories, and to apply the revenues arising from them to the expence of the war, and not to the payment of the sums, which, if peace had continued, would have become annually due to His Highness's private Creditors, according to the arrangements directed by the Court's orders of December 1784; the Company are to be considered as having borrowed the sums, which would have been payable to the Creditors, if the Nabob had fulfilled his engagements prior to the treaty of peace made by Lord Cornwallis, which money is to be accounted for agreeable to the arrangement above-mentioned. Those sums appear to be as follow: First, The interest on pagodas, 54,98,500. The principal due to those Creditors at six per cent. for two years, from August 1788 to August 1790, being pagodas, 6,59,820; which interest is the share of the twelve lacs of pagodas per annum which they were entitled to receive, by the orders in our said letter of 9th December 1784, until the cavalry loan should be discharged: but if it shall appear, that the Creditors of 1777 have received a proportion of the sums paid by the Nabob on account of those two years, such proportion is to be deducted. Secondly, As the cavalry loan would, if the payments to the Creditors had been duly made, have been discharged before 31st of August 1790, five lacs of pagodas became annually due to the Creditors in the debt of 1777, which, for two years from that date to the date of Lord Cornwallis's treaty made in July 1792, amounts to pagodas 10,00,000, making together pagodas 16,59,820. On this sum, or such amount as shall be found due on these principles, interest at six per cent. shall be allowed to the Creditors from August 1792, being the month after Lord Cornwallis's treaty was made; which interest on the above sum amounts to pagodas 1,99,198 for two years, to the 31st of August 1794, making together, pagodas 18,59,018. This sum, or such other amount as shall, on the principles here laid down, be found due to the Creditors, we direct that your Government shall discharge, either by cash, or by notes bearing six per cent. interest, from 31st August 1794, payable only at Madras: but in the latter alternative, the Creditors are to take the notes at the current premium

or

or discount. But in order to prevent the inconvenience which might arise from so large a quantity of notes being issued immediately, we direct that they be issued progressively, in such proportions as to prevent the market from being overstocked, and the value of your notes in general, thereby reduced from bearing a premium, to be issued at a discount.

4. To prevent our orders on this subject from being misunderstood, we send a statement, No. 1, containing the debts which we suppose will have been found due by the Company to the Creditors, on 31st August 1794, in the consolidated debt, according to the arrangements we have mentioned; and a statement, No. 2, shewing the amount of what will remain due by the Nabob to those Creditors, after the notes we have mentioned shall be given, and after the gifts for two years, payable by the Nabob, according to Lord Cornwallis's treaty, shall have been paid to them.

5. We also direct, that as the payments which the Nabob was bound to make in every year to his Creditors, have been, for the accommodation of his Highness, reduced from twelve lacs of pagodas to 6,21,105 pagodas; the payment of the said 6,21,105 pagodas to the Creditors in the consolidated debt of 1777, shall not henceforth be suspended, on any account whatever, but shall be regularly made to those Creditors, until the debt due to them, with interest at 6 per cent. shall be fully paid.

London, the
20th January, 1796.

We are, &c. &c.

POLITICAL DEPARTMENT.

*To the Honorable Court of Directors for Affairs of the Honorable United Company
of Merchants of England trading to the East-Indies.*

HONORABLE SIRS,

1. We have had the honor to receive your commands, dated the 20th January last, relative to the claims on the Company by the Creditors of the Nabob of the Carnatic, in the consolidated debts of 1777.

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2. Having

2. Having transmitted to the Register of His Highness's debts, a copy of your orders, with directions to make up the account on the principle laid down by your Honorable Court, he addressed us a letter, accompanied with three statements, by which it appeared, that the principal sum due by the Company to the Creditors, amounted to twenty-three lacs and forty-six thousand four-hundred and eighty-four pagodas, thirty-one fanams, and thirteen cash (23,46,484 31 13) and the interest to three lacs, eight-hundred and ninety-seven pagodas, four fanams, and forty-one cash (3,00,897 4 41.)

3. We referred the documents received from the Register to our Accountant General, with orders to state whether the account corresponded, in all respects, with your instructions : we also directed him to report his opinion, how far it would be advisable, under existing circumstances, to issue 6 per cent. notes progressively, as enjoined by your Honorable Court ; and to ascertain, with as much precision as possible, what was the current discount of the 6 per cent. notes, on the day your orders were received.

4. The Accountant General acquainted us, in reply, that the Register's statement was correct ; that the nominal discount of the Company's 6 per cent. paper was from 12 to 14 per cent ; and that all circumstances considered, he was of opinion, it would be more advantageous to the Company to issue notes for the whole amount at once, than to issue them progressively.

5. Upon an occasion of such serious import, leading to a consequence likely to affect, most materially, both public and private credit at this Presidency, we were extremely anxious to proceed upon sure grounds, and therefore addressed the Supreme Government upon the subject, stating the embarrassment we felt, and requesting the benefit of their sentiments for our guidance.

6. It occurred to us, that your orders might have been given under a mistaken impression of the state of the Company's paper, which so far from the 6 per cent. notes being at a premium when your orders were received, were actually at a discount of from 12 to 14 per cent. the 6 per cent. in the Bengal too, as we have been told, had been offered at 10 per cent. discount, though in a train of payment.

7. In the adjustment of this concern, three modes offered themselves.—First, To pay the Creditors, agreeably to your orders, in cash.—Second, To issue 6 per cent. notes, at the discount of the day (as enjoined) progressively.—Third, To issue 6 per cent. at the discount of the day, and the whole at once.

8. The

8. The first was altogether out of the question, for the state of our treasury made it impracticable.—The second appeared the most eligible, not only because it was conformable to your orders, but because the effect of so greatly overstocking the market, as apprehended by your Honorable Court, would be highly injurious to public credit; we are, however to observe, that your orders, of which copies have been sent from Europe to many of the parties concerned, are considered to have admitted certain claims which the Creditors are not disposed to relinquish, and they particularly insist that if an arrangement does not now take place for liquidating the whole of the demand, they will be entitled to the discount of the day at the period of the several issues.

9. Your Honorable Court on the 20th January ultimo, must have been aware of the increased expences of this Government on account of the war, and consequent necessity of our raising the interest on Government security; but we can scarcely believe you were prepared for discount of at least 10 per cent. on your 6 per cent. notes upon the whole of the amount now proposed to be paid, on a prospect of that discount rising on a progressive issue, which by an interested combination would probably be effected.

10. We are also inclined to think, that you have not adverted to the real cause of your 6 per cent. notes bearing so high a premium, which principally arose from the advantage of exchanging them for Bengal promissory notes, with a view to obtaining bills on England; whereas, if those notes had been made payable at Madras, and not transferrable to Bengal or England, it is most likely that no such premium would have existed, notwithstanding the particular affluence of that period.

11. We communicated the foregoing observations to the Supreme Government, and added, that the probability of a peace in Europe, in the course of a few months, was a rational speculation. How far a continuance of tranquillity in India could be reckoned upon, was (we said) more a subject for their consideration than ours: and what operation that might have upon the public funds of this Presidency, whilst the Nabob and the Rajah of Tanjore continued to raise money on so enormous an interest, it was difficult for us to form any well-grounded opinion; but that, at all events, we should presume that a diminution of our expences, and consequently a cessation to the necessity of borrowing money, would enhance the value of the paper actually in the market, and that if any mode could be devised (attainable only by the assistance of the Supreme Government) to appropriate a specific sum monthly, however small (say two lacs per annum)

annum) towards the liquidation of the principal, the discount of our paper would then be kept down, and its credit effectually supported.

12. We concluded by observing, that should the Supreme Government be of opinion in favor of a progressive issue, it would be fair by the Creditors, that the respective periods should be fixed; reserving to the Government (if the payment be not made in cash) the power of issuing the 6 per cent. notes at the discount of the day, or of giving such other paper as the Company may then issue for their other payments, or for their other Creditors, or of finally transferring the debt to Europe. The latter mode we are aware must depend on special authority from you.

13. We send, in the packet, copies of the papers that have passed on this subject, and trust that the precaution we have taken will be honored with your approbation.

We have the honor to be,

with the highest respect,

HONORABLE SIRS,

Your most faithful humble servants,

Fort St. George,
16th August, 1796.

(Signed)

HOBART,
ALFRED CLARKE,
EDWARD SAUNDERS,
E. H. FALLOFIELD.

To Mr. Thomas Cockburn, Register of the Nabob's Debts.

SIR,

I am directed by the Right Honorable the President in Council, to transmit to you, copy of the orders of the Honorable Court of Directors, under date the 20th of January last, relative to the claims upon the Company by the Creditors of the Nabob of the Carnatic in the consolidated debt of 1777; and to desire you will make up the accounts,

accounts, agreeably to the principle laid down in those orders, submitting the same to His Lordship in council, with as little delay as possible.

I am, SIR,

Your most obedient servant,

Fort St. George,
26th July, 1796.

(Signed) W. C. JACKSON.

(A True Copy.) DANIEL INCE, *Dep. Secretary.*

To William Collins Jackson, Esq. Secretary to the Military Department.

SIR,

I have the honor to acknowledge the receipt of your letter of the 26th ultimo, with a copy of the orders of the Honorable Court of Directors, under date the 20th of January last, relative to the claims upon the Company by the Creditors of the Nabob of the Carnatic, in the consolidated debt of 1777; and directing me to prepare the accounts, agreeably to the principle laid down in those orders.

I have, in consequence, the honor to transmit, for the information of the Right Honorable the President in Council, No. 1, a statement, shewing the amount that will be due by the Company to the Creditors on the 31st instant, upon the principle therein laid down. The account, No. 3, referred to in that statement, shews the amount issued to the old cavalry Creditors, out of pagodas 6,21,105, stipulated to be paid by the Nabob to his Creditors in the treaty with Marquis Cornwallis; but which the Honorable Court, in their fourth paragraph, and in their statement, No. 2, consider wholly payable to the Creditors of 1777, from the date of that treaty.

Statement, No. 2, shews the principal of the consolidated debt of 1777, which will remain due to the Creditors on the 31st instant, after making the payments to them, agreeably to No. 1; being merely a continuation of the statement, No. 2, transmitted by the Honorable Court, from 31st August 1794 to that date.

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So soon as I am informed of the amount to be paid, and the discount at which the paper is to be issued, I shall lose no time in preparing the individual accounts of the Creditors.

I have the honor to be, SIR,

Madras
2d August, 1796.

Your most obedient humble servant,

(Signed) THOMAS COCKBURN, *Register.*
(A true copy.) DANIEL INCE, *Deputy Secretary.*

No. 1.

STATEMENT of MONEY due by the EAST-INDIA COMPANY to the Creditors of the NABOB OF ARCOT, in the consolidated Debt of 1777, being for the Sums to which those Creditors were entitled for their Share of Twelve Lacs annually, payable by His Highness, from 31st August, 1788, to 31st August, 1792, made up agreeably to the Principle laid down in the Orders of the Honorable Court of Directors of the 20th January, 1796.

1789 August 31.	Share of the twelve lacs to which the Creditors were entitled, while any part of the cavalry loan remained unpaid, in consequence of the arrangement in the letter from the Court of Directors, dated the 9th December, 1784, to be accounted for by the East-India Company.				
	Amount of interest due from 1st January, 1788, to 31st August, 1789	5,48,644	29	30	
	Deduct, paid in part on the 1st December, 1789, and 1st February, 1791	-	2,19,454	12	30
					Pags. F. C.
					3,29,190 17 0
1790 August 31.	Amount due this day	-	-	-	3,29,909 35 23
1791 August 31.	Share of the twelve lacs to which the Creditors were entitled, after the full payment of the cavalry loan	-	-	-	
					5,00,000 0 0
1792 August 31.	Ditto	-	Ditto	-	5,00,000 0 0
					Car. ov. 16,59,100 16 23

			Pags.	F.	C.
1794 August 31.	Interest on the above sum of Pg' 16,59,100	16 22	Bro. ov.	16,59,100	16 22
	from 31st August 1792 to this time, at 6 per				
	cent. per annum	-	1,99,092	1 76	1,99,092 1 76
					<hr/> 18,58,192 18 18

Amount advanced to the Creditors of the old cavalry loan, out of the sum payable by Marquis Cornwallis's treaty with interest due thereon to this day, principal pagodas 4,76,124 21 28, interest pagodas 29,416 29 45, as per account, No. 3. - 29,416 29 45 5,05,541 14 73

23,63,733 33 11

1796 August 31.	Interest on the sum of pagodas				
	23,63,733 33 11 from 31st				
	August, 1794, to this date, at				
	6 percent. per ann. now due	2,83,648 2 43	2,83,648	2 43	
		<hr/> 5,12,156 34 4	<hr/> 26,47,381	<hr/> 35 54	

To be applied as follows, viz.

In full discharge of interest to 31st August 1796, at	-	Pagodas 13 10 $67\frac{1}{8}$ per cent.	7,31,369 33 21
In part discharge of principal, at	-	29 13 $36\frac{6}{8}$ per cent.	16,15,114 33 72
			<hr/> 23,46,484 31 13
Remaining interest payable by the Company on the loan from the Creditors at	5 $17\frac{6}{8}$ per cent.	3,00,897 4 41	
	Pagodas 48 5 $24\frac{6}{8}$ per cent.	26,47,381 35 54	

Madras, 2d August, 1796.

E. E.

(Signed)

THOMAS COCKBURN, Register.

(A true copy.)

DANIEL INCE, Deputy Secretary.

No. 2.

STATEMENT, shewing the Amount of the Debts which will remain due by the NABOB of ARCOT to the Creditors on the consolidated Debt of 1777, on the 31st August, 1796, after deducting the Payments on Account of that Debt, and the Interest thereof, which are stated in Account with the EAST-INDIA COMPANY; being a Continuation of the STATEMENT, No. 2. transmitted by the Honorable Court of Directors in their Letter of the 20th January, 1796, up to 31st August, 1796.

1790 August 31.	Principal sum of debt due to the Creditors at this time,	Pags.	F.	C.
		54,98,499	23	71
1791 August 31.	Share of the twelve lacs due to the Creditors by the arrangement in the letter from the Court of Directors, dated 9th December, 1784, to be accounted for by the East-India Company	Pags.	F.	C.
		5,00,000	0	0
	Deduct one year's interest on			
	54,98,499 23 71	3,29,909	35	22
		<u>1,70,090</u>	0	58
		53,28,409	23	13
1792 August 31.	Share of the twelve lacs due to the Creditors as above stated	5,00,000	0	0
	Deduct one year's interest on			
	53,28,409 23 13	3,19,704	20	66
		<u>1,80,295</u>	15	14
		51,48,114	7	79
1793 August 31.	Sum payable to the Creditors in consequence of Lord Cornwallis's treaty in 1792,	6,21,105	0	0
	Deduct one year's interest on			
	51,48,114 7 79	3,08,886	30	58
		<u>3,12,218</u>	5	22
		Car. ov.	48,35,896	2 57

		Pag.	Bro. ov.	F. C.
1794 August 31.	Sum payable as above -	6,21,105	0	0
	Deduct one year's interest on			
	48,35,896 2 57 -	2,90,153	27	42
		<u>3,30,951</u>	8	38
			45,04,944	30 19
1795 August 31.	Sum payable as above -	6,21,105	0	0
	Deduct one year's interest on			
	45,04,944 30 19 -	2,70,296	24	68
		<u>3,50,808</u>	11	12
			41,54,136	19 7
1796 August 31.	Sum payable as above 6,21,105			
	of which only will be paid			
	to 31st August, 1796 *	5,20,000	0	0
	Deduct one year's interest on			
	41,54,136 19 7 -	2,49,248	6	72
		<u>2,70,751</u>	29	8
	Principal of the debt which will remain due on			
	the 31st August, 1796, equal to pagodas			
	70,22,43 $\frac{1}{8}$ per cent. -	Pagodas	38,83,384	25 79

[* The last half of the years, not payable
till 15th September, 1796.]

Madras, 2d August, 1796.

E. E.

(Signed)
(A true copy.)

THOMAS COCKBURN, Register.
DANIEL INCE, Deputy Secretary.
A. BROOKE, Ex.

No. 3.

AN ACCOUNT of Cash advanced to the Creditors of the Old Cavalry Loan, out of the Sum of Pagodas 6,21,105, payable by the Nabob of Arcot to his Private Creditors, under the Treaty made by Lord Cornwallis in 1792; which Sum is to be repaid by the Company to the Creditors of 1777, with interest thereon to 31st August 1794, from their respective Dates of Issues, conformably with the Orders of the Court of Directors of the 20th January, 1796.

1792.				Pagodas.			F.	C.	
November	10th	To	Cash issued this day,	-	-	-	37,486	8	56
1793.									
January	15th	To	Ditto	-	-	-	37,385	21	36
March	15th	To	Ditto	-	-	-	46,952	26	21
May	1st	To	Ditto	-	-	-	61,020	22	16
July	10th	To	Ditto	-	-	-	60,948	14	16
September	10th	To	Ditto	-	-	-	47,401	15	73
November	10th	To	Ditto	-	-	-	37,506	25	29
1794.									
January	10th	To	Ditto	-	-	-	37,506	25	29
March	10th	To	Ditto	-	-	-	46,883	13	55
May	10th	To	Ditto	-	-	-	63,032	28	17
							4,76,124	21	28
August	31st	To interest on the above sums, from their respective dates to this day, at 6 per cent. per annum on							
		Pag.	F.	C.	Year.	Days.	Pag.	F.	C.
		37,486	8	56	for 1	294	4,060	30	14
		37,385	21	36	1	228	3,644	11	63
		46,952	26	21	1	169	4,121	19	62
		61,020	22	16	1	122	4,884	35	60
		60,948	14	16	1	52	4,177	31	75
							20,889	21	34
Carr. ov.							4,76,124	21	28

Pag.	F.	C.	Days.	Pag.	F.	C.	Pag.	F.	C.
			<i>Bro. ov.</i>	20,889	21	34	4,76,124	21	28
47,401	15	73	355	2,766	5	79			
37,506	25	29	294	1,812	23	40			
37,506	25	29	233	1,436	20	8			
46,883	13	55	174	1,340	35	60			
63,032	28	17	113	1,170	30	64			
							29,416	29	45
							Pagodas 5,05,541	14	73

Madras, 2d August, 1796.
E. E.

(Signed)
(A true copy.)

THOMAS COCKBURN, *Register.*
DANIEL INCE, *Deputy Secretary.*

To Mr. Robert Woolf, Accountant-General.

SIR,

I am directed by the Right Honorable the President in Council, to transmit to you the accompanying papers, containing the orders of the Honorable Court of Directors, relative to the claims upon the Company by the Creditors of the Nabob of the Carnatic, in the consolidated debt of 1777; and letters and accounts delivered in by the Register of His Highness's debts, in consequence of those orders.

The President in Council desires you will attentively consider these papers, and report to his Lordship, whether the Register's statements correspond, in all respects, with the Court's instructions; and you are, at the same time, to give an opinion, Whether it would be more advantageous to the Company to issue the notes progressively, or the whole at once, under the circumstance of their being taken by the Creditors at the current discount, agreeably to the Court's orders?

You are also to ascertain, with as much precision as possible, what the discount might have been on the Company's fix per cent. paper, on the 23d ultimo, the day on which the orders of the Court of Directors were received; and if there should have been

been none of that paper in the market, you will then state the discounts of the eight per cent. bonds on the day above-mentioned, and with due attention to the Company's interests, point out to his Lordship the discount that should be fixed upon the six per cent. notes, under the letter and spirit of the Court's instructions.

You will lose no time in transmitting this report; and so soon as you have done with the papers now transmitted, you will return them to me.

I am, SIR,

Your most obedient servant,

Fort St. George,
August 3, 1796.

(Signed)

W. C. JACKSON, Secretary.

(A true Copy)

DANIEL INCE, Dep. Sec.

To the Right Honorable Lord Hobart, Governor in Council, Fort St. George.

MY LORD,

Agreeable to Mr. Secretary Jackson's letter of the 3d instant, I have the honor to report to your Lordship on the claims on the Company by the Creditors of the Nabob of the Carnatic in the consolidated debt of 1777.

On an attentive perusal of the statements delivered by the Register, I find them to correspond with the instructions of the Honorable Court of Directors, making the sum of 26,47,381 pagodas, due by the Company to the Creditors on 31st August, 1796, and the sum of 38,83,384 pagodas due to them by the Nabob at the same period. The first of these sums is considerably higher in amount than what is stated in the letter from the Honorable Court, owing to the sums that had been paid subsequent to Lord Cornwallis's treaty, to the Creditors of the old cavalry loan, from the 6,21,105 pagodas, annually paid by the Nabob, not inserted in the statement No. 2, of the Honorable Court, but properly stated by the Register on the principle laid down.

On your Lordship's directions for my giving an opinion on the discount, and on the mode for issuing the notes, I beg leave to observe, that I consider the issuing the whole of them at once would have a less tendency to raise the discount, and they would sooner find a certain value, than by issuing them progressively, in occasional supplies to the market, which would cause the discount to be wavering and uncertain, and consequently lessen their value.

The discount on the 6 per cent. notes and certificates at present in circulation, I understand to be merely nominal; none of them having, that I can learn, been sold for some time past. On some notes for ground on Hog-hill, bearing 6 per cent. interest, that were sold some months ago, I have heard that a discount of 12 per cent. was allowed; and, on considering all circumstances, I cannot but be of opinion, when the notes in question are issued, there can hardly be a doubt of there being a discount of 13 per cent. at least, and that at that rate they will be offered for sale; the 8 per cent. bonds of Government having, I understand, borne a discount, on the 23d ultimo, of about 3 per cent.

I have the honor to be, with great respect,

MY LORD,

Your Lordship's most obedient humble servant,

(Signed)

ROBERT WOOLF, *Accountant-General.*

(A true copy.)

DANIEL INCE, *Deputy Secretary.*

Fort Saint George,
Accountant-General's Office,
5th August, 1796.

POLITICAL DEPARTMENT.

To the Honorable Sir John Shore, Bart. Governor General in Council at Fort William.

HONORABLE SIR,

WE have the honor to transmit to you a copy of the commands of the Honorable Court of Directors, relative to the claims on the Company by the Creditors of the Nabob of the Carnatic, in the consolidated debt of 1777, and copies of the reports of our Accountant General, and of the Register of his Highness's debts, on the subject.

Upon an occasion of such serious import, leading to a consequence likely to affect most materially both public and private credit at this Presidency, we are extremely anxious to proceed upon sure grounds, and to have the benefit of your sentiments for our guidance.

The embarrassment we feel, arises out of the following paragraph of the Court's orders—" This sum, or such other account as shall, on the principles here laid down, be found due to the Creditors, we direct that your Government shall discharge, either by cash, or by notes bearing six per cent. interest, from the 31st August, 1794, payable only in Madras, but in the latter alternative the Creditors are to take the notes at the current premium or discount. But in order to prevent the inconvenience which might arise from so large a quantity of notes being issued immediately, we direct that they be issued progressively, in such proportions as to prevent the market from being overstocked, and the value of your notes in general, thereby reduced from bearing a premium, to be issued at a discount."

It would seem that these orders were given under a mistaken impression of the state of the Company's paper, which, so far from the six per cent. notes being at a premium at the time of their orders being received, we are informed, that the only paper of that kind at this Presidency, viz. the Hog-hill Certificates, was selling at a discount of from twelve to fourteen per cent. and we are also told, that the six per cents. in Bengal have been offered at ten per cent. discount, though in a train of payment.

Under these circumstances three modes occur—First, To pay the Creditors, as directed by the Court, in cash—Second, To issue six per cent. notes, at the discount of the day (as enjoined) progressively—Third, To issue six per cents. at the discount of the day, and the whole at once.

The first is altogether out of the question, for the state of our treasury makes it impracticable. The second would appear the most eligible, not only because it is conformable to the orders of the Court of Directors, but because the effects of so greatly overstocking the market as apprehended by them, must be highly injurious to public credit; but it is to be observed, that the orders of the Company, of which copies have been sent from Europe to all the parties concerned, are considered to have admitted certain claims, which they are not disposed to relinquish; and they particularly insist, that if any arrangement does not now take place for liquidating the whole of the demand, they will be entitled to the discount of the day, at the period of the several issues.

The Court of Directors, on the 20th of January ultimo, must have been aware of the increased expences of this Government on account of the war, and the consequent necessity of our raising the interest on Government security; but we can hardly believe they are prepared for a discount of at least ten per cent. on their six per cent. notes, upon the whole of the amount now proposed to be paid, on a prospect of that discount rising on a progressive issue, which, by an interested combination, would probably be effected.

We are also inclined to think, that they have not adverted to the real cause of their six per cent. notes bearing so high a premium, which principally arose from the advantages of exchanging them for Bengal promissory notes, with a view to obtaining bills on England; whereas if those notes had been made payable at Madras, and not transferable to Bengal or England, it is most likely that no such premium would have existed, notwithstanding the particular affluence of that period.

The probability of a peace in Europe in the course of a few months may be a rational speculation. How far a continuance of tranquillity in India may be reckoned upon, is more a subject for your consideration than ours; and what operation that might have upon the public funds of this Presidency, whilst the Nabob and the Rajah of Tanjore continue to raise money on so enormous an interest, it is difficult for us to form any well grounded opinion; but at all events we should presume that a diminution of our expences, and consequently a cessation of the necessity we are now under of borrowing

rowing money, would enhance the value of the paper actually in the market; and if any mode could be devised, attainable only by your assistance, to appropriate a specific sum monthly, however small (say two lacs of pagodas per annum), towards the liquidation of the principal, the discount of our paper would be kept down, and its credit effectually supported.

Should you be of opinion in favor of a progressive issue, it would be fair by the Creditors that the respective periods should be fixed, reserving to the Government (if the payment be not made in cash) the power of issuing the six per cent. notes at the discount of the day, or of giving such paper as the Company may then issue for their other payments, or to their other Creditors; or, finally, of transferring the debt to Europe.

You will observe by our Accountant-General's letter that he recommends that the whole of the notes should be issued at once.

We request to be honoured with your orders on this subject at as early a period as possible, because, if it should be your opinion that the notes should be issued altogether, it is not unlikely that we might find very serious difficulty in regulating the discount, even at ten per cent. if there be any considerable delay.

We have the honor to be, with respect,

HONORABLE SIR,

Your most obedient humble servants,

(Signed)

Fort St. George,
August 14, 1796.

HOBART,
ALURED CLARKE,
EDW. SAUNDERS,
E. W. FALLOFIELD.

(A true copy.)

DANIEL INCE, Dep. Sec.

EXTRACT Political Letter from BENGAL, dated 3d October, 1796.

Par. 24. On our proceedings of the 12th ultimo, is recorded a letter from the Governor in Council at Fort St. George, on the subject of your orders of the 20th January, respecting the claims of the Creditors of the Nabob on the Company, on account of the consolidated debt of 1777, with our reply on the subject.

25. The state of our treasury, as well as that of Fort St. George, rendered it impracticable to pay the amount ascertained to be under your orders in cash. The issue of the whole amount in paper at once, must have deeply affected the public credit under the present pressing exigencies of that Government; nor could the effect have been much less prejudicial on the state of credit here, had the paper been made transferrable to Bengal.

26. The mode adopted by us, of issuing a proportion of 25 per cent. annually, and making the notes transferrable to Bengal, and receivable, on the remittance, for the Indian debt, and providing for the regular payment of the interest and the discharge of the notes, according to priority of date, appeared to us to combine both the interests of the Public and the Creditors.

27. The terms under which the notes are to be issued will enable the Government of Fort St. George to settle the discount of the first payment on favorable terms. The amount is not likely to affect the market materially in the first instance; and as there is every reason to expect a peace before the future payments become due, and a consequent improvement of the Company's credit, these payments will probably be made on still more favourable terms, and with little comparative inconvenience to your finances.

Extract of Political Letter from BAKER, dated 2d October, 1896.

Par. 24. On the proceedings of the 11th ultimo, I recorded a letter from the Governor in Council in favor of George on the subject of your object of the resolution, regarding the claims of the Company on the Company, on account of the capital, and the right to the interest.

The whole amount in paper at once, that have been effected the public credit under the present existing of the Government, but could the effect have been made more beneficial of the line of credit, had the paper been made more available to the public.

25. The terms under which the notes are to be issued will enable the Government of New York to issue the notes of the first payment on the public terms. The amount is not likely to exceed the market value of the first interest, and as it is every year to exceed a great deal the future having become more, and a general improvement of the Company's credit, that payment will probably be made on the first month's interest, and that will be a considerable contribution to the